

PROTECTION IN VARIOUS COUNTRIES

EDITED BY WILLIAM HARBUTT DAWSON

CANADA AND AUSTRALASIA

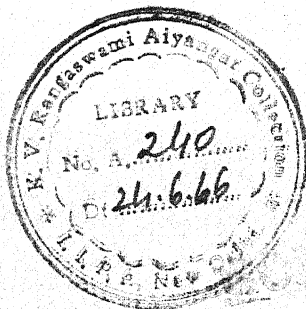


PROTECTION IN CANADA AND AUSTRALASIA

BY

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INTRODUCTION.

WHILE it would be impossible to find two countries in some respects more unlike one another than Canada and Australia, these two great federations of the British Empire have nevertheless some striking points of similarity.

Both rule continental areas with provincial populations, Canada with its 3,311,000 square miles having barely 6,000,000 people and Australia with its 2,973,000 square miles less than 4,000,000. Canada's climate varies from the temperate to the arctic, Australia's from the temperate to the tropical, both countries thus having a great range in temperature and a corresponding variety of resources, and in both the products of the mine, the farm, and the forest immensely outweigh all others in importance. The development of these natural resources has not been furthered by the tariff, and yet Australia and Canada are alike in clinging

more or less tenaciously to a protective system, which burdens the millions engaged in primary production for the supposed benefit of the thousands pursuing other branches of industry.

In both countries there are causes quite outside economics which have contributed to making Protection a "National Policy," and which help to explain the blindness of some producers and the submission of others to a taxing system attended by such fatal consequences.

It is also interesting to notice that the Canadian Dominion consists of seven continental provinces and a small island, Prince Edward's Isle. In the Australian Commonwealth are five continental States and the small island of Tasmania. Outside the federation Australia has to the eastward the large island colony of New Zealand; to the eastward of her borders, Canada has the large island colony of Newfoundland. Canada's most western province, British Columbia, is pre-eminently a land of gold and timber, and it entered the Dominion only on the condition that it should be connected by rail with the eastern provinces. Western Australia, the most western State

of the Commonwealth, is also a great producer of gold and timber, and she also joined the federation on the faith of a promise that a trans-continental railway would link her to her sister States of the east. There were long delays in the building of the Canadian line across the continent; the Australian line is not yet begun.

In forming a judgment as to the effect of fiscal policy upon a nation's welfare there are always great difficulties to contend with—difficulties almost insurmountable in the case of new countries to which virgin soil, splendid forests, and profusely scattered gold must attract emigrants from the old world, whatever laws and Government may do to help or to cripple their industry. "Canada and Australia," says the protectionist, "have increased in wealth and population under Protection, therefore Protection has been a wise policy for them to pursue." To this the free trader answers that while men desire land and gold and grain and timber, there is no conceivable policy under which countries rich in these things would not grow wealthier and more populous. That they have done so under a protectionist policy proves nothing at all.

In older countries many of the factors are fairly constant and there is a chance of giving something like its due weight to a change of fiscal policy in estimating its effect on progress, as, for instance, in the repeal of the British Corn Laws. It is true that cheap food and untaxed raw material were not the only causes of the marvellous expansion of British industry and well-being which followed on Free Trade, but nevertheless without Free Trade it would have been impossible. With cheap food wages went further; with untaxed raw material manufactures increased by leaps and bounds and wages increased with manufactures. Higher wages were at once a cause and an effect of the improved machinery which followed on invention, for better paid workmen had energy and intelligence to control the new machines, and when wages are high there is strong inducement to seek machinery which will do men's work and save wages. Then, again, as men were forced to spend less of their daily earnings upon food they had more to spend upon the products of every industry, and thus the home demand for manufactures increased *pari passu* with increased facilities for making them cheaply to sell abroad.

If food were again greatly raised in price to-day, while the consequences would be disastrous enough, England would not sink to the state in which the repeal of the Corn Laws found her, but nevertheless the cheap Free Trade loaf was the prime factor in the last half century's prosperity, and no one capable of reasoning can fail to see the tremendous advantages conferred on England by Free Trade.

In Australia and Canada cause and effect are not nearly so easy to connect with one another. Both of them being food producing countries, semi-starvation has never followed upon bread taxes, and since the Canadian provinces federated to form the Dominion, and the Australian Colonies to form the Commonwealth, there has been no such decided alteration in fiscal policy as would enable us to say "To this such and such a change is owing."

From the earliest settlement of both countries there has been progress, sometimes fast, sometimes slow, and as a rule so evidently and largely affected by non-fiscal factors, such as war, railway building, the discovery of coal and gold, improved communication with Europe, the opening of

new territory and a dozen other things, that there is room for doubt and dispute when one endeavours to trace the undoubtedly great effect of tariff laws upon social conditions and industrial development.

In Canada, since the Dominion came into existence in 1867, the protective incidence of the tariff has varied at different periods with results some of which may be fairly estimated. In Australia the Commonwealth, which had its birth with the new century, is still too young for its tariff history to teach much that is of value, but in Australia, on the other hand, the two neighbouring Colonies of New South Wales and Victoria for thirty years pursued different tariff policies, the latter adopting Protection, the former Free Trade, and thereby they offered a field for comparison such as is nowhere else available. The two Colonies were alike in so many things—in so many factors that determine a young country's development—that striking differences are very fairly attributable to the varying factor of tariff policy.

In the following chapters dealing with Protection in Australia and Canada an attempt is made to show that economic considerations have not been of prime importance

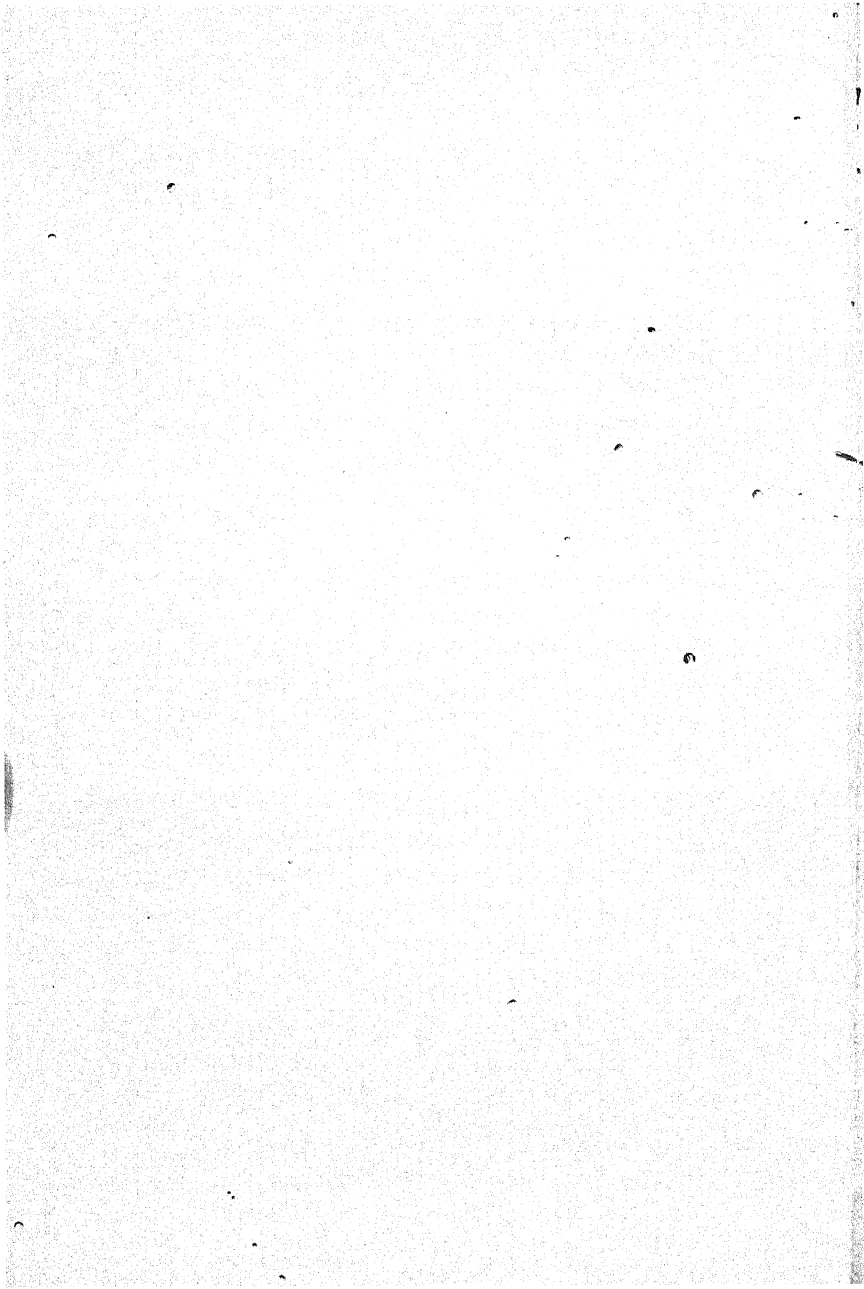
in leading to the imposition of several of the tariffs under discussion, nor in maintaining or altering them when imposed. The Free Trade and Protectionist battle has been fought, no doubt, by some of the combatants on the field of political economy, but among the leaders and the rank and file there have always been a large number who voted Protection or Free Trade as the case might be, because, at the time, one or the other policy was allied with a political programme which otherwise appealed to them. The most striking characteristic of both Canada and Australia is the growing strength of the national and democratic spirit, and while the leaders of the national party, or what is recognised as such, support Protection, Protection will be in the ascendant. There have been times and political divisions on both continents in which Free Trade principles have won victories through the popularity of other Liberal principles with which they were associated. But while politicians on either side have the confidence of the people on general grounds they may practically impose what tariff they please, in defiance of floods of fiscal pamphlets and fiscal oratory and of bitter complaint from industrial interests

which, rightly or wrongly, deem themselves injured.

In the greater part of Australia—which one remembers is the Antipodes—Protection is regarded as the traditional Liberal policy, and for this reason the Liberalism of a Free Trade party is looked upon with suspicion, but once their Liberalism is proved their Free Trade is accepted. In Canada the Protectionist party is nominally Conservative, but Liberals like Sir Wilfrid Laurier have taken very kindly to Protection, and in late years have made no serious efforts on behalf of Free Trade. The vested interests of industry which have grown up under Protection are stronger in Canada than in the island continent, though possibly the injury inflicted by Protection upon the producing interests is greater. Again, the proximity of the United States, with its enormous trusts, ready and eager to enter upon a “dumping” campaign, which might have disastrous effects upon Canadian manufacturers quite strong enough to meet normal competition, is a strong bulwark of Canadian Protectionism, and induces thousands of primary producers to be loyal to the established policy for national reasons, even though they would be better

off themselves were every Canadian factory crushed out of existence by American "dumping."

It is considerations such as these which show the mistake of concluding that because progressive young countries have on the whole thriven under Protection, Protection has contributed to their wealth or well-being, or even of concluding that there is any reasoned belief on the part of their peoples that Protection has had this effect. In the following chapters will be given, with some account of the introduction of Protection into Australia and Canada, such conclusions concerning its effects as seem to be fairly deducible from reason and the facts of the case.



CONTENTS.

CANADA.

| CHAP. | PAGE |
|--|------|
| I. EARLY TARIFF HISTORY | I |
| II. THE PROVINCIAL TARIFFS | 18 |
| III. TARIFFS IN THE DOMINION | 23 |
| IV. EFFECTS OF THE NATIONAL POLICY | 31 |
| V. THE TARIFF REDUCTIONS OF 1897 | 46 |
| VI. THE PREFERENTIAL TARIFF | 51 |
| VII. THE STRENGTH OF PROTECTIONIST FEELING | 61 |
| VIII. IMPERIAL PREFERENTIAL TRADE | 71 |

AUSTRALASIA.

| | |
|--|-----|
| I. THE ORIGIN OF VICTORIAN PROTECTION . | 81 |
| II. THE TARIFFS OF NEW SOUTH WALES . | 90 |
| III. OTHER AUSTRALIAN TARIFFS | 97 |
| IV. PROTECTION IN NEW ZEALAND | 113 |
| V. FACTORS IN VICTORIAN PROTECTION . | 122 |
| VI. COMPARISON BETWEEN VICTORIA AND NEW SOUTH WALES | 132 |
| VII. MANUFACTURES UNDER PROTECTION AND FREE TRADE | 144 |
| VIII. PROTECTION AND INDUSTRIAL WELFARE . | 160 |
| IX. PROTECTION AND THE PRIMARY INDUSTRIES | 179 |
| X. PROTECTION IN THE COMMONWEALTH . | 186 |
| INDEX | 193 |

PROTECTION IN CANADA.

CHAPTER I.

EARLY TARIFF HISTORY.

FROM the earliest dawn of her history Canada has been much concerned about tariffs. Protection was designed in the first instance to secure her absolute industrial dependence on the Motherland, France; at a later date to secure the trade of Canada to her foster-mother, England; still later to bring about her manufacturing independence of the world outside; and the last development was reached when, of her own free will, and without return, Canada modified her protectionist duties in order to give a preference to manufacturers in England. In the beginning of the eighteenth century France applied the colonial system to Canada with the greatest stringency; houses were searched for foreign goods, which, if discovered, were burnt; ships trading contrary to regulations were treated as pirates; and shortly before the fall of Quebec its defender, Montcalm, claimed even a higher price for the military protection of its colonial subjects by France than

England claimed for like services to the American Colonies.

"Let us beware," he wrote, "how we allow the establishment of manufactures in Canada; she would become proud and mutinous like the English (Colonies). So long as France is a nursery to Canada let not the Canadians be allowed to trade, but kept to their wandering laborious life with the savages, and to their military exercises. They will be less wealthy but more brave, and more faithful to us. . . . England made a great mistake in not taxing those (the American) Colonies from the first, even ever so little. If they now attempt it—revolt."

Montcalm proved a good prophet, but nevertheless, after Canada became British and the United States became independent, Great Britain pursued a more liberal policy than that hitherto prevailing. Nominally, no intercourse was permitted between Canada and her Southern neighbour, but Pitt, who would have liked to maintain Free Trade between England and the United States, practically permitted it between the United States and Canada. Before the war in 1812 the United States did much trade with Great Britain and the West Indies through Montreal and the St. Lawrence, to the great profit of Canada, while ever since the Revolution all customs duties levied by England in Canada had formed part of the colonial revenue. They were levied upon foreign produce to encourage British trade, but did not go into British pockets.

A little later came the preferences in the

British market upon Canadian produce—preferences in which the Australian and South African Colonies did not share. According to Professor Adam Short, of Kingston University, who has recently published an admirable little book, entitled "Imperial Preferential Trade from a Canadian Point of View," Canada was not singled out for favour as a reward for loyalty in the past, or as an inducement to loyalty in the future, but the preference was due to the influence of strong commercial and shipping interests in the United Kingdom, which reaped most of the benefit. The preference on timber, indeed, which was so effective that up to 1840 Canadian supplies to the old country were from five to ten times as great as those from the Baltic, he maintains, was an absolute injury to Canada. Large forest areas were destroyed, fires raged among their ruins, genuine settlement was retarded, and the only gainers were the shanty-keepers and a few farmers who supplied the lumbermen with drink, salt meat, and bread. Those who made fortunes out of the timber trade, if not resident in England when engaged in it, usually went home to spend their money when they had gained enough to live comfortably.

The first preference on Canadian wheat allowed its importation when the price in England rose to 67s. per quarter, while foreign wheat was not admitted until it was 80s.; and such advantage as this conferred was shared by the United States exporting through Canada, since wheat was

admitted into Canada free of duty. Professor Short, who fails to find evidence that this preference helped Canada, points out that it was a tentative step towards Free Trade, while the timber preference was part of the policy of Protection.

The Canada Act of 1822 imposed a duty of 5s. per barrel on American flour, while wheat was still admitted free. The result was profit to Canadian millers; but the St. Lawrence trade in American wheat received a check, and the farmers gained nothing. In 1825 the Navigation Laws were relaxed, the Colonies being permitted to trade direct with foreign countries, and Canadian wheat was admitted into England at a duty of 5s. per quarter.

At the same time the Canada Company began settlement operations on a large scale in Western Canada, the Rideau Canal was opened, a difference between the United States and Great Britain over port dues in the West Indies gave the trade with them to Canada, and between 1827 and 1831 the provinces enjoyed great prosperity. But at the same time the British Corn Law had forced the Americans into manufacturing for themselves, with the establishment of Protection to shut out British goods, and from 1832 to 1841, while the United States forged ahead, there was great distress in Canada, which the preference did nothing to relieve, and many of her people crossed the border into the Republic.

The small value attached to the preference by

Canadians themselves is shown in a petition of the Assembly of Upper Canada in 1840, which stated :—

“Your Majesty’s faithful Commons are aware that the products of these Colonies are admitted into the ports of the Mother Country at a duty of 5s. per quarter, when wheat is below an average of 67s. per quarter; but from the expenses of transportation from the interior to the sea, and thence to the United Kingdom, experience proves that they derive very little advantage from this protection.”

More preference was asked for, in the shape of the abolition of the 5s. duty on Canadian wheat, and the acceptance as Canadian of American produce upon which duty had been paid in Canada. In 1842 the Canadian Parliament imposed a 3s. duty on American wheat, but when the Bill was reserved Canadian merchants petitioned for the postponement of assent to it, until Canadian wheat should be free in England. In the same year Canada asked to be regarded as an integral part of the British Empire, having Free Trade with Great Britain, and the right to a remission of the duty paid in Canada on American produce in the event of its being exported from Canada to England. In England there was talk of much the same kind as is prevalent to-day concerning the need of reciprocity. The Colonial Society addressed a memorial to Lord Stanley, declaring that the disruption of the Empire was imminent, and that Canada would establish duties and manufactures to the injury of British commerce, unless all her demands were granted.

By the final preference of 1843—foreshadowing the advent of Free Trade—Canada got practically all she asked. The duty on her wheat and flour was reduced to 1s. per quarter; a duty of 3s. per quarter was allowed on American wheat entering Canada, and flour made from it was treated as Canadian, when exported to England. According to Professor Short the benefit to the country generally was small. Immigration was not stimulated, but there was a great boom in the grain and flour trade; many mills were erected, and millers looked forward to making fortunes by grinding American wheat. With the abolition of the Corn Laws in 1846 the preference was lost, but the abolition did not take full effect until 1849. In 1848 there was a financial crisis, but it seems that the distress in Montreal and the collapse at Quebec were matters of almost purely local interest, and there was a considerable gain to Canada in the free admission of her other food products to England.

This, however, was not the view of the Montreal merchants, who talked of ruin and threatened annexation to the United States. The effect of the preferences upon Canadians had been, says Professor Short, to cultivate the "outward glance." "Their look was always an outward, waiting look, not an inward, resourceful one."

Canadian protectionist writers of the present time agree in depicting the loss of the preference as an enormous blow to Canadian prosperity, and in

regretting its disappearance. "For some years," writes Mr. Castell Hopkins in the "Canadian Encyclopædia," "the entire financial, agricultural, and industrial interests of Canada were paralysed."

Even if this be not exaggerated language the paralysis was at any rate of short duration, and there followed great activity in railway and canal making and in opening out the West. Describing the situation ten years later, in 1859, Sir A. T. Galt wrote as follows :—

"Under such distressing circumstances, the only hope lay in the fact that the people had at last the management of their own affairs; and with a country abounding in natural resources, a vigorous and self-reliant effort would yet overcome all obstacles, and restore, upon a more healthy basis, that prosperity which had hitherto been sought through favours granted by Great Britain to her Colonies, at the expense of her own people. Canada accepted the policy of England as necessary for the welfare of the Empire; she ceased all applications for aid to be granted to the detriment of others; and she applied herself to the task of developing her institutions and her resources with a vigour, determination and success that have rarely, if ever, been witnessed in any other country."

And to quote Professor Short once more, in his comments upon the development works then undertaken :—

"Such are merely sample phases of the remarkable transformation wrought in the Canadian people, hypnotised for over half a century by the practical operation of an Imperial preferential trade system, undertaken in the best of faith and with the most benevolent intentions, but working, as it has in every

colonial Empire in the past or present, the subtle and unconscious destruction of independent and self-reliant enterprise."

While Canada bestirred itself industrially and commercially to make good the loss of the preference there were also political movements set on foot to provide a substitute. A comparatively small but active body agitated for annexation to the United States, and a less influential and less noisy band gave formal expression to the desire for Canadian Protection which seems to have been latent among a very much larger class than that entertaining any serious idea of annexation to the United States. The two proposals were regarded by some Canadians as alternatives, and were both dictated in part by bitterness against what they considered unfair treatment by England, but in essence they were opposed to one another. One was the negation of the Canadian national idea; the other aimed at fostering it. One was a merchants' policy, aiming at wider markets and the extension of trade; the other was a producers' policy, aiming, however mistakenly, at encouraging Canadian industry by closing the Canadian market to goods from abroad.

At the first protectionist meeting held in 1849 the writer of "Sixty Years in Canada" relates that a Free Trade amendment was proposed to the effect that :—

"This meeting is of opinion that taxation is an incident inseparable from social organisation; that at

best it is an evil only to be submitted to in order to enable the people represented by their duly constituted authorities to protect the life and property of all classes alike from foreign or domestic aggression, and to undertake such public works and duties as may be deemed for the general good; that, therefore, taxes of every kind should be made as light as possible with an efficient system of government, and equally laid on, so as to give the community who pay them the least inconvenience in doing so."

The general feeling, however, was that taxation on protectionist lines might become a blessing instead of a curse, and the amendment was defeated, and a motion carried affirming:

"That this meeting is of opinion that while the Canadian Tariff should be adjusted with a view to avoiding all duties of a prohibitory or oppressive character, the revenue should be principally levied on imported articles which compete with those of domestic production, and that the materials for manufacturing purposes, not profitably produced in the province, should be admitted free, so as to give greater scope to domestic manufactures, and thereby the extension of the home market to the agriculturist."

Meanwhile, some of the annexationists were urging that Canada could only find industrial salvation by becoming a State of the Union, thereby gaining free entry into its protected market and attracting American capital into Canada for the development of Canadian industries. The national spirit was against them. Traditions of the Revolution when colonial loyalists found a refuge in Canada, and subsequent wars with the States, had created a strong unwillingness among

the British to change their flag and join their former enemies, while the French-Canadians, with no particular affection for Britain, nevertheless appreciated the retention of their institutions, religion, and language under British rule, and felt that they would risk a great deal by absorption in the pushing American Republic. Even among those who preached annexation there were friendly references to the old country, and a speech of Mr. Benjamin Holmes, M.P., at one of their meetings in 1849, contains a spirited disclaimer of any Canadian desire to reap profit at the expense of the British wage-earner, which is interesting at the present time, when British preferentialists insist that the most sordid motives actuate the Colonies. Mr. Holmes said :—

“ It is said by some of those who affect to be exclusively loyal that we ought to make every effort to induce Great Britain to return to her protective policy before making any other move. Some affect to believe that for fear of losing Canada England may be induced to again enact the Corn Laws, and again consign her working millions to the starvation from which they have lately escaped by the repeal of those odious laws—laws which ground the labouring classes to abject misery, to increase the revenues of a landed aristocracy. There may be some who deplore the abrogation of the Corn Laws in England—he trusted there were few in Canada. The industrious classes of this continent, thank God, are not yet so debased as to rejoice at or seek to impose a protection tax on the poorer classes of England.”

He also gave the following reasons for advocating annexation to the United States :—

"Wheat which was selling in Canada at 3s. 9d. or 75 cents was across the line at 5s. or \$1. Superfine flour was worth in Montreal 20s. 6d., across the line it was worth 26s. Our farmers were selling their oats at 1s. or 20 cents the minot; at Burlington they were worth 36 cents. Peas selling in Canada at 2s. or 40 cents were worth in New York 75 cents to 80 cents. We may admire, we may love England, but our people cannot starve for the honour of her protection. Here it is the fashion to raise a revenue out of the pockets of the poorer classes. We tax sugar, tea, coffee, rice and tobacco from 25 to 75 or 90 per cent. The people of the United States pay no tax on those articles except sugar, and that they raise at home, or if imported it is subject to a duty of 2s. 6d. per cwt.; but here the duty is 11s. 6d. to 12s. 6d. per cwt. The poor man is taxed 30 per cent.; the rich man for his superfine coat 12½ per cent."

By opponents of annexation it was pointed out that the higher prices then ruling in America for wheat and some other articles were merely temporary, and had arisen from a rush to supply the Free Trade market of England when its ports were first thrown open, and after a little time the annexation agitation died away, while the protectionist movement grew decidedly stronger. The heavy customs duties levied for revenue purposes on articles of general consumption were one of the causes which inclined the bulk of the people to favour it, since the protectionists promised to make the taxes lighter. Protection, in fact, in Canada as in Australia, made claims to be a democratic policy, and the system then in force, which levied £200,000 out of a total customs revenue of £386,000, on eight

of the common necessities of life and taxed sugar at about 160 per cent. *ad valorem*, naturally gained friends for the protectionists who denounced it.

But though the protectionist idea steadily gained ground, nothing was done towards putting it into force, and in 1854 a reciprocity treaty was concluded with the United States providing for the free admission on either side of the products of the mine, the farm, the forest and the sea. To quote again from Mr. Hopkins in the "Encyclopædia of Canada":—

"The ruined interests of Canada slowly revived, new channels of trade were developed, new industries arose and sought in many cases the American market, and around this fiscal creation of two neighbouring Governments the commerce and individual prosperity of British America grew up once more. Yet it was only an arrangement for the free interchange of the products of the farm, the mine, the forest, and the sea. Manufactures were not included, and although there was no preference given to the United States over Great Britain, or *vice versa*, yet trade with the Republic rapidly increased."

The effects of this treaty, as far as they went, were to make trade more free, and it is somewhat remarkable to find strong protectionists laying stress on its beneficent results, though one of these was to increase the importation of American manufactured goods into Canada. The treaty did not actually come into force until March 16th, 1855, and before this time the Crimean War had caused a rise in wheat prices to the benefit of Canada, the Great Western Railway was opened for traffic, oil

wells were first worked in Canada, sugar refining was established in Montreal—there was industrial activity everywhere.

Up to 1859 there were a few alterations in the Canadian tariff, tending on the whole in the direction of Protection, and in the year 1859 the Finance Minister, Mr. Galt, introduced a new tariff, in which the protective character was very strongly marked, though the Government was largely influenced by the need of revenue to meet deficits and interest on railway bonds guaranteed by the State. To those who urged that the lenders should have been allowed to lose their money Mr. Galt replied :—

“By these steps Canada would certainly have relieved herself from the pressure of increased taxation, and might have escaped the reproaches of those who blame the increase of her customs duties. But it would have been at the expense of the English capitalists, who had placed their faith in the fair treatment of her Government and Legislature ; and it would have been but poor consolation for them to know that through their loss Canada was able to admit British goods at 15 instead of 20 per cent.”

This introduction of Protection into Canada, incidental though it may have been to revenue requirements, was strongly resented in England, and the discussion between the Colonial Office and the Canadian Government which arose out of it was important, as settling once for all the right of the self-governing Colonies to adopt such methods of taxation as they chose. The indignation roused in Canada by the overbearing and impudent attempt

of English manufacturers to interfere with Canadian legislation for their own profit recoiled upon themselves in strengthening the association of Protection and patriotism in Canadian minds, though it was not until some years later that Protection was formally described as the "National Policy." The attempt was made in the following letter of August 1st, 1859, signed by the president of the Sheffield Chamber of Commerce, and addressed to the Colonial Secretary, the Duke of Newcastle:—

"The merchants and manufacturers of Sheffield have no wish to obtain special exemption for themselves, and do not complain that they are called upon to pay the same duty as the American or the German, neither do they claim to have their goods admitted free of duty; all they ask is that the policy of protection to native manufactures in Canada should be distinctly discountenanced by Her Majesty's Government as a system condemned by reason and experience, directly contrary to the policy solemnly adopted by the Mother Country, and calculated to breed disunion and distrust between Great Britain and her Colonies. It cannot be regarded as less than indecent and a reproach that, while for fifteen years, the Government, the greatest statesmen and the Press of this country have been not only advocating but practising the principles of Free Trade, the Government of one of her most important Colonies should have been advocating monopoly and Protection. Under the artificial stimulus of this system, extensive and numerous hardware manufactories have sprung up, both in Canada East and West, and the adoption of increasing duties has been the signal for more to be commenced. We are aware that the fiscal necessities of the Canadian Government are urged as the

chief cause for passing the late Tariff Bill. That is not the whole truth ; no one can read the papers of the provinces, and the speeches of the members of both Houses, and be deceived for an instant ; but even if that were the cause, we conceive that Her Majesty's Government has a right to demand that what revenue is needed shall be raised in some other way than that which is opposed to the acknowledged commercial policy of the Imperial Government, and destructive of the interests of those manufacturing towns of Great Britain which trade with Canada."

We have travelled far from the days when the Colonial Secretary would be influenced by such a document, and express his sympathy with it, as did the Duke of Newcastle in a letter to the Governor-General of Canada, from which the following is an extract :—

"Whenever the authenticated Act of the Canadian Parliament on this subject arrives I may probably feel that I can take no other course than signify to you the Queen's assent to it, notwithstanding the objections raised against the law in this country ; but I consider it my duty, no less to the Colony than to the Mother Country, to express my regret that the experience of England, which had fully proved the injurious effect of the Protection system, and the advantage of low duties upon manufactures, both as regards trade and revenue, should be lost sight of, and that such an Act as the present should have been passed."

The Act received the royal assent, but Mr. Galt nevertheless addressed to the Duke of Newcastle a strong though dignified remonstrance against his suggestion that Canadian tariff legislation was subject to the wishes of Imperial Ministers.

"From expressions used by his Grace in reference to the sanction of the Provincial Customs Act," wrote Mr. Galt, "it would appear that he had even entertained the suggestion of its disallowance; and though happily Her Majesty has not been so advised, yet the question having been thus raised, and the consequences of such a step, if ever adopted, being of the most serious character, it becomes the duty of the Provincial Government distinctly to state what they consider to be the position and rights of the Canadian Legislature. Respect to the Imperial Government must always dictate the desire to satisfy them that the policy of this country is neither hastily nor unwisely formed, and that due regard is had to the interest of the Mother Country as well as of the provinces. But the Government of Canada, acting for its Legislature and people, cannot, through those feelings of deference which they owe to the Imperial authorities, in any manner waive or diminish the rights of the people of Canada to decide for themselves both as to the mode and extent to which taxation shall be imposed.

"The Provincial Government are at all times ready to afford explanations in regard to the Acts of the Legislature to which they are a party, but, subject to their duty and allegiance to Her Majesty, their responsibility in all general questions of policy must be to the Provincial Parliament, by whose confidence they administer the affairs of the country. And in the imposition of taxation it is so plainly necessary that the Administration and the people should be in accord that the former cannot admit responsibility or require approval beyond that of the local Legislature. Self-government would be utterly annihilated if the views of the Imperial Government were to be preferred to those of the people of Canada. It is therefore the duty of the present Government distinctly to affirm the right of the Canadian Legislature to adjust the taxation of the people in the way they deem best,

even if it should unfortunately happen to meet the disapproval of the Imperial Ministry. Her Majesty cannot be advised to disallow such Acts, unless her advisers are prepared to assume the administration of the affairs of the Colony, irrespective of the views of its inhabitants. The Provincial Government believe that his Grace must share their own convictions on this important subject; but as serious evil would have resulted had his Grace taken a different course, it is wiser to prevent future complication by distinctly stating the position that must be maintained by every Canadian Administration."

No further question arose as to Canada's right to impose any protective duties she chose. The first high tariff came into force, and continued in operation until the establishment of the Dominion, which united Upper and Lower Canada with the coastal provinces. It will here be convenient to shortly indicate the nature of the duties levied in the different provinces until they were replaced by the Dominion tariff.

CHAPTER II.

THE PROVINCIAL TARIFFS.

THE events narrated in the previous chapter belong to the history of Upper and Lower Canada, now forming the provinces of Ontario and Quebec in the Canadian Dominion, and such duties as the two Colonies, which had one Legislature, then imposed were levied upon goods from the North American coastal provinces, as well as upon goods from the rest of the world. Nova Scotia and New Brunswick likewise taxed each other's goods and those from Canada, but there was little communication between the maritime provinces and the provinces of the interior.

The average tariff rate in Nova Scotia was 10 per cent., agricultural produce was on the free list, and there were a number of specific duties. Luxuries and the finer classes of manufactured goods paid 20 per cent.; other goods 15 per cent. or 5 per cent. Nova Scotia manufactured large numbers of ships, before iron and steel took the place of wood, and though the tariff was not protective, the free list was made use of to encourage manufacturers by placing the raw material of several industries upon it.

The tariff of New Brunswick was very similar to that of Nova Scotia, but it had no free list, and the

highest duty was 15 per cent. The average tariffs of Prince Edward Isle and Newfoundland were about 11 per cent. and 10 per cent. respectively. These rates were in force in the maritime provinces when the very much higher tariff of 1859 was imposed in Canada, and apart from differences in rates, Canada levied *ad valorem* duties on most articles of import, while in the other provinces the great majority of the duties were specific.

The following table from Mr. McLean's "Tariff History of Canada" exemplifies the nature of the differences which needed reconciliation when the provinces formed the Dominion and framed a new tariff:—

| | Nova Scotia. | New Brunswick. | Canada. |
|----------------------------|---|---|--|
| Spirits ... | Specific, average rate 70 cents per gallon. | Specific, average rate 1s. 9d. per gallon. | <i>Ad valorem</i> 100 per cent. |
| Teas ... | <i>Ad valorem</i> 10 per cent. | Specific, 2d. per lb. | <i>Ad valorem</i> 5 per cent. to 15 per cent., according to quality. |
| Sugars ... | <i>Ad valorem</i> 20 per cent. | Specific from $\frac{1}{10}$ d. to $\frac{1}{10}$ d. per lb., according to quality. | <i>Ad valorem</i> 10 per cent. to 40 per cent., according to quality and fineness. |
| Tobaccos ... | <i>Ad valorem</i> 20 per cent. | Specific, 2d. per lb. | <i>Ad valorem</i> mixed tobaccos 30 per cent., cigars 40 per cent. |
| Agricultural Products. | <i>Ad valorem</i> meat and poultry 10 per cent., other products free. | Free. | Free. |
| Iron and its Manufactures. | <i>Ad valorem</i> 5 per cent. | <i>Ad valorem</i> 15 per cent. | <i>Ad valorem</i> 10 per cent. |

The Canadian Colonies resembled the Colonies of Australia in that the desire to abolish border tariffs was one of the great causes leading to federation; but their abolition in Canada was expected to

develop an inter-colonial trade, which was small and unimportant, whereas in Australia it freed a large existent trade from hampering restrictions. In 1853 the total value of the trade between Canada and the maritime provinces was only \$1,627,000; in 1866 it was \$2,400,000, and in 1896, after thirty years of commercial union and railway and canal making, it had increased to \$116,000,000.

The following table, giving the tariff rates of Canada on some important articles for 1855, 1856, 1857, and 1859, shows to what a height incidental Protection had attained in the last named year:—

| | 1855. | 1856. | 1857. | 1859. |
|---------------------|-----------|-----------|-----------|-----------|
| | Per cent. | Per cent. | Per cent. | Per cent. |
| Molasses ... | 16 | 11 | 11 | 30 |
| Sugar (refined) ... | 32 | 28 | 25 | 40 |
| Sugar (other) ... | 27½ | 20 | 19½ | 30 |
| Boots and shoes ... | 12½ | 14½ | 20 | 25 |
| Harness ... | 12½ | 17 | 20 | 25 |
| Cotton goods ... | 12½ | 13½ | 15 | 20 |
| Iron goods ... | 12½ | 18½ | 15 | 20 |
| Silk goods... | 12½ | 13½ | 15 | 20 |
| Wool goods ... | 12½ | 14 | 15 | 20 |

As far back as 1855 a Parliamentary Committee had urged the encouragement of manufactures through the tariff, and a policy of retaliation against the United States, by levying duties on its manufactured goods as high as the United States levied upon those from Canada. Their report stated that they "concurred in the opinion of the Secretary of

the Treasury of the United States that it is no departure from the general principle of Free Trade to counteract the legislation of other countries," and recommended that "the principle of reciprocity in our commercial legislation be extended" in the manner mentioned above. It is interesting to find a Canadian Committee fifty years ago making recommendations of reciprocity indistinguishable from retaliation, and advocating Protection in the name of Free Trade in much the same fashion as Mr. Balfour does to-day. The Committee's advice, however, was not followed, and the Elgin Reciprocity Treaty came into effect in 1855. Its advantages to Canada were very much enhanced by the Civil War which broke out in 1861, disorganising American industry and causing a large demand for Canadian products; but the Civil War was also the indirect but most important cause of the United States denouncing the treaty in 1866. The American people were sore and angry with Great Britain on account of the sympathy shown there for the seceding States, and were willing to strike a blow at Great Britain through Canada. The Canadians, they knew, placed a great value on the treaty, and in rescinding it there seemed a chance of eventually forcing Canada into the Union, in order to secure its markets. The ostensible reason given for putting an end to reciprocity was that Canada, by the tariff of 1859, had increased her duties on some American goods, but these were outside the scope of the treaty, and it seems the universal opinion of Canadians

that they really lost its advantages through the action of the Mother Country during the war. Deprived once again of specially preserved markets, Canada was thrown upon her own resources, and sought by breaking down inter-colonial barriers, and by the construction of railways, to open new channels east and west for the trade which for some years had been flowing north and south on the tide of reciprocity.

CHAPTER III.

TARIFFS IN THE DOMINION.

THE first effect of federation upon the tariff of Canada was to bring it down below the level of 1859, since the maritime provinces would not consent to raise their duties to that height. The heaviest duties, except those on spirits and tobacco, were 25 per cent., the rate levied upon luxuries. From duties of 15 per cent. on most articles in common use the bulk of the revenue was derived; other articles less numerous were made dutiable at 10 per cent., and the principle of Protection was preserved in the framing of the free list. Duties on many manufactured articles were reduced, but numerous raw materials, such as iron in partial manufacture, colours when imported for the use of wall-paper manufacturers, &c., were admitted free. The duty on the total imports in 1868 averaged 12 per cent., on dutiable goods alone 20·22 per cent., this high rate being accounted for by the tariff on intoxicants and narcotics.

Though it was some years before it had substantial results in the Legislature, the protective spirit was steadily growing stronger in Canada, but it was protection for manufactured goods that was desired, and in 1871 the Government was obliged

by popular demand to remove the duties upon grain and flour, and a petition from the Montreal Corn Exchange urged "the propriety of throwing off the duties on the necessities of life in order to render this country a cheaper one to live in."

It might seem that farmers never fare well under Protection in new countries. When the supply of grain is less than the demand the rest of the people naturally demand cheap food; when there is a surplus for export, and the foreign market fixes prices, the town population is always ready to generously afford any measure of Protection, since it is harmless to them and useless to the farmer, because it fails to raise prices.

In 1872 another important tariff change was the removal of revenue duties upon tea and coffee, dictated as much by the policy of the United States as by a desire to lighten the burdens of taxation. These things were free in the United States, and to prevent smuggling over such an extensive border line would have been most costly and difficult. In other directions also the United States policy had great effect upon fiscal opinion in Canada. "Dumping" had already begun. Salt and numerous manufactured articles were sold by Americans at what were called "slaughter" prices in Canada, thereby occasioning great bitterness of feeling and many petitions to the Canadian Legislature; but before the advent of the "National Policy" there came from 1874 to 1878 a tariff-for-

revenue *régime*. The new duties were introduced by a so-called Liberal Administration, in accordance with what is sometimes called a policy of Free Trade. Times were bad, and the need for revenue was urgent. The Liberal party in Canada has always shrunk from direct taxation and looked to the customs for supplies, with the result in this instance that the general rate of duty was fixed at $17\frac{1}{2}$ per cent., or 2 per cent. more than under the old tariff. In spite of the smuggling difficulty, and in the face of strenuous opposition, duties on tea and coffee were reimposed; and partially manufactured iron, free under the former tariff in order to help Canadian industry, was made dutiable at 5 per cent.

Throughout the world there was at this time great commercial depression, of which Canada had its share. The bad times which the tariff was designed to meet from the revenue point of view were laid to its charge by the protectionists, who insisted that it discouraged industry. If ever, in fact, there were circumstances and a tariff well designed to popularise Protection, they were the circumstances and the tariff of Canada from 1874 to 1878. Free Trade with a light tariff and direct taxation upon wealth is intelligible to the masses as a liberal policy, and was adopted in later years with enthusiasm by the people of New South Wales. So-called Free Trade, with heavy and comprehensive revenue duties, which fall with peculiar weight on the poorer classes, and with the abolition of a free

list designed to help local manufacturers, rouses the hostility of the latter, and fortifies them with the sympathy and help of the great bulk of the population, who dislike taxation, and resent revenue duties even more than those that are protective. When a tax falls upon tea they are aware that they pay it; when a tax falls upon boots or clothes manufactured in the country, it is much harder to make them understand that they pay the tax in increased prices to the manufacturer. Frequently, indeed, they absolutely refuse to believe anything of the kind. The price of manufactured goods tends generally to fall throughout the world, and when the average man buys an article as cheaply after the imposition of a 25 per cent. duty as he did before it, he can with difficulty be made to see that he has paid that 25 per cent., though but for the duty he would now buy the article 25 per cent. cheaper than he did before.

The policy of the Liberals in these years made real Free Trade in Canada impossible, and rendered the introduction of the "National Policy" almost inevitable. Everywhere there was dissatisfaction with the tariff and clamour for duties which would prevent the United States making a "slaughter market" of Canada. Debates on the relative merits of Free Trade and Protection became frequent in the Legislature from 1876, and in that year a Commission was appointed to inquire into the subject. It reported adversely to Protection. The following is a significant extract from the report

which it submitted to Parliament, and is a powerful argument against high duties :—

“ The evidence taken before the Committee shows that the average yearly produce of each workman engaged in manufacturing is about \$1,000 worth of manufactured goods. It is said that if these goods, now paying 17½ per cent., were increased to 25 per cent., the greater portion of them might be produced in this country. If this statement be taken as true, looking to the age and sex of our manufacturing population, it would give employment to 50,000, who would include 100,000 more dependent upon them. The customs revenue would be diminished by \$9,000,000. The new population would pay upon the articles still taxable on the list \$225,000; the remaining \$8,775,000 would be required to be made up in some other way, and this tax of 25 per cent., added to the price of the goods produced at home, would impose a burden of \$12,500,000 upon the consumers, as the condition of securing 150,000 additional inhabitants, who, during a period of commercial depression, might be left without employment, and might become a further charge upon the rest of the community.

The Committee's findings are thus summed up in the “ Encyclopædia of Canada ” :—

1. A protective system would diminish the consumption of foreign goods.
2. It would diminish the revenue by \$9,000,000.
3. Its effect would be to increase the price of home manufactured goods.
4. The consumer would have to pay a heavy tax.
5. It is a proposition to relieve general distress by a redistribution of property.

The opinions of the Committee, however, failed to silence the cry for Protection, which grew

more insistent, and in March, 1878, Sir John Macdonald moved in the Assembly the following characteristic protectionist resolution :—

“That the Speaker do not now leave the chair, but that this House is of the opinion that the welfare of Canada requires the adoption of a National Policy, which, by a judicious readjustment of the tariff, will benefit and foster the agricultural, the mining, the manufacturing, and other interests of the Dominion; that such a policy will retain in Canada thousands of our fellow-countrymen now obliged to expatriate themselves in search of the employment denied them at home; will restore prosperity to our struggling industries, now so sadly depressed; will prevent Canada from being made a sacrifice market; will encourage and develop an active inter-provincial trade; and moving (as it ought to do) in the direction of a reciprocity of tariffs with our neighbours, so far as the varied interests of Canada may demand, will greatly tend to procure for this country eventually a reciprocity of trade.”

The motion was not then carried, but after the general election Sir John Macdonald returned with a majority and brought into being an avowedly protective tariff in accordance with what has ever since been known as the “National Policy.” This policy was stated by the Finance Minister, Sir Leonard Tilley, to be: “To select for a higher rate of duty those articles which are manufactured or can be manufactured in the country, and to have those that are neither made nor are likely to be made in the country at a lower rate.”

In spite of this declaration and the imposition of stiff protective duties in accordance with it,

there seemed still to be confusion of thought and a strong hankering after reciprocity with the United States, which, if attained, would have exposed Canadians to the unfettered competition of the rivals whom they most feared, and against whose dumping operations they were so much incensed. The Tariff Act of 1879 provided that, with reference to the natural products of both countries, if the United States repealed its duties in whole or in part, the Canadian Government would meet them with equal concessions, and the Finance Minister said that "the Government intended to impose duties on a great many articles imported from there which had been left on the free list since 1875, in the vain hope of inducing our neighbours to renew the Reciprocity Treaty." In accordance with this intention the average duty on American goods under this tariff was made 25 per cent.

Had reciprocity been granted by the United States on natural products, Canadian farmers would have again suffered, as the imports from the Republic to the Dominion greatly exceeded the exports to it. There was no proposal for reciprocity in manufactured goods. As it was the farmers obtained specific duties amounting on wheat, at the prices then ruling, to an equivalent of about 15 per cent. *ad valorem*. Up to the year 1883 there were various tariff changes, almost all tending to increase Protection, but more revenue had been raised than was required, and in that

year taxation to the amount of \$1,125,000 was remitted, though with the sacrifice of revenue there were various additions to the protective duties, that on agricultural implements, for instance, being raised from 25 to 35 per cent. In 1882 the Government had strengthened itself by the abolition of the unpopular duties on tea and coffee, retaining, however, a retaliatory duty of 15 per cent. on tea imported from the United States. From that date until 1896, avowedly protectionist Governments remained in power, and though numerous alterations were made in the tariff, almost all of them tended to give increased protection.

CHAPTER IV.

EFFECTS OF THE NATIONAL POLICY.

It is claimed by protectionist writers and politicians that the adoption of the "National Policy" was immediately followed by an increase of trade and prosperity. Had this been the case there would still be too many factors entering into the matter to render possible an estimate of the effect due to each, but on looking at the statistics of such important items as trade and population, one fails to find an increase in either, which justifies, on those heads at least, any enthusiasm for the "National Policy."

First, as to trade, the figures are given by a protectionist authority in the "Canadian Encyclopædia" down to 1897, and are here supplemented by figures for later years from the "Canadian Statistical Year Book":—

| Policy. | Total Trade. |
|------------------------------------|---------------|
| Incidental Protection, 1868—73 ... | \$992,443,289 |
| Revenue Tariff, 1874—79 ... | 1,093,764,044 |
| Protective Tariff, 1880—85 ... | 1,235,902,783 |
| " " 1886—91 ... | 1,234,587,974 |
| " " 1892—97 ... | 1,438,948,553 |
| Reduced Tariff, 1898—1902 ... | 1,818,467,786 |

The population in 1871 was 3,635,024; in 1881 it was 4,324,810. On dividing the figures, giving

the trade for six years under incidental Protection by the first number, and those giving the figures for the first six years under the "National Policy" by the second number, we find that the trade per head in the former period was greater than the latter. For the period under the revenue tariff, 1874—1879, we have no divisor, since a census was not taken in those years; but coming to the period of the reduced tariff, 1898—1902, and dividing its trade figures by the population figures at the 1901 census, we find the trade much greater per head than at any period under the "National Policy." For the five years 1898—1902 it is \$338'6; for 1886 to 1891—on the 1891 census—only \$255'4 for the longer period of six years.

The figures in the next table show that while imports fell away considerably in the first years of the "National Policy" there was not the increase in exports upon which protectionists place such an immense value. Free traders will not attach great importance to these figures either way; in the first place, because in a new country imports very often result not from exchange, but from borrowing, the money borrowed reaching the importing country in the form of goods, and, in the second place, because large exports are not necessarily a sign of prosperity, since when the home demand is brisk, goods which might be exported at other times find a home market. Nevertheless, protectionists look to their policy to increase exports, and should find these figures disappointing.

EFFECTS OF THE NATIONAL POLICY. 33

IMPORTS AND EXPORTS PER HEAD OF POPULATION AND
DUTIES COLLECTED PER HEAD OF POPULATION
FOR THE YEARS 1869 TO 1883.

| | Total Imports. | Imports Free of Duty. | Exports. | Duties Collected. |
|----------|----------------|--------------------------|----------|----------------------|
| | \$ | \$ | \$ | \$ |
| 1869 ... | 20—63 | 7—71 | 17—72 | 2—43 |
| 1870 ... | 21—66 | 7—57 | 21—19 | 2—74 |
| 1871 ... | 27—31 | 7—33 | 21—08 | 3—37 |
| 1872 ... | 30—86 | 10—88 | 22—88 | 3—61 |
| 1873 ... | 34—87 | 14—66 | 24—48 | 3—55 |
| 1874 ... | 33—52 | 13—37 | 23—36 | 3—77 |
| 1875 ... | 31—66 | 10—69 | 20—04 | 3—95 |
| 1876 ... | 23—60 | 8—71 | 20—50 | 3—25 |
| 1877 ... | 24—75 | 8—80 | 18—90 | 3—12 |
| 1878 ... | 22—82 | 7—69 | 19—44 | 3—13 |
| 1879 ... | 19—77 | 6—01 | 17—24 | 3—12 |
| 1880 ... | 20—52 | 4—18 | 20—85 | 3—35 |
| 1881 ... | 24—29 | 4—57 | 22—67 | 4—26 |
| 1882 ... | 27—24 | 5—95 | 23—30 | 4—95 |
| 1883 ... | 29—84 | 7—10 | 22—13 | 5—23 |

With regard to the increase in population, we find a similar failure of the "National Policy" to accomplish great things. The population of the provinces constituting the Union was at the different census periods as follows:—

| | | | |
|----------|-----|-----|-----------|
| 1841 ... | ... | ... | 1,152,772 |
| 1851 ... | ... | ... | 2,312,919 |
| 1861 ... | ... | ... | 3,174,638 |
| 1871 ... | ... | ... | 3,635,024 |
| 1881 ... | ... | ... | 4,324,810 |
| 1891 ... | ... | ... | 4,833,239 |
| 1901 ... | ... | ... | 5,369,666 |

In the period 1842—1851, there were no protective duties, though for some of its years the preference was in force, and the population increased by 1,160,147, or over 100 per cent. During the next ten years, 1852—1861, Free Trade prevailed until the incidental Protection of 1859, and the increase in population was 861,719, or 37·3 per cent. Then came ten years, 1862—1871, without any tariff change, and the increase of population was 460,386, or 14·5 per cent. In the following ten years incidental Protection gave place in 1874 to the revenue tariff, and in 1879 this was replaced by high Protection, which, however, was not operative for more than two years of the decade; and the increase in population was 689,786, or 19 per cent. The next decade, 1882—1891, saw a further development of the "National Policy," and the increase of population was 508,429, or 11·7 per cent. Between 1892 and 1901 there were in 1897 general reductions in the tariff and special reductions occasioned by the preference to Great Britain, accompanied by an increase in population of 536,427, or 11·1 per cent. The figures throughout relate to the provinces now constituting the Dominion of Canada, although Prince Edward's Isle and British Columbia did not join it until after 1867, while at that date some of the other provinces had practically no white population.

The percentage increase of population in all countries tends to grow less with a birth-rate

falling throughout the world, and in a country which depends largely on immigration for additions to its people, this tendency is especially marked. Nevertheless, the percentage increase for the last decade, which includes several years of reduced duties, is almost as high as that for the previous ten years under the "National Policy." With regard to the absolute increase of population also, the two decades, 1862 to 1871 and 1882 to 1891, in which Protection prevailed, show worse results than those which included the revenue tariff period of the seventies, and the years of the lower duties and British preference introduced by Sir Wilfrid Laurier. The absolute increase in the twenty years from 1842, including only two years of Protection, was far greater than it has been for twenty years at any subsequent period.

Before the introduction of the "National Policy" there was a large exodus of Canadians to the United States, which protectionists claimed was the result of a low tariff policy in Canada; but after the introduction of Sir John Macdonald's high tariff, the numbers who left Canada grew larger, and it was not until the phenomenal increase of wheat-growing in Western Canada during the last three or four years, that the stream set in the opposite direction, and large numbers of Americans began to emigrate to the Dominion. This was contemporaneous with the reduced Canadian tariff brought in by Sir Wilfrid Laurier in 1897, but no doubt it was more the opening up of rich new

territory than the change in fiscal policy which brought this new population, just as in former years the virgin West of the Republic drew hundreds of thousands of Americans from the Eastern States. In 1876 the Canadian Commission pointed out that 568,608 natives of highly protected New England had gone West where tariffs could not help them, while only 493,000 Canadians had gone from less highly protected Canada, although New Jersey had a population of only $3\frac{1}{2}$ millions to draw upon, and Canada a population of 4,000,000.

Free Trade with the highly developed Eastern States has not prevented the establishment and growth of manufacturing in the Western States of America, though the competition they have to suffer is more keen than they would be exposed to by Free Trade with any foreign country; and in the Western States of the Dominion are the keenest free traders of Canada, since they see that Protection, which raises the prices of the articles they buy from home manufacturers, is powerless to raise the price of their grain, so much of which they sell abroad. The measure of Free Trade which obtains in Western America does not check manufacturing; the measure of protection suffered in Western Canada is felt to be a weight on agricultural industry.

Whether manufacturing has or has not been encouraged by Protection in Canada it is impossible to say, though protectionists, who begin with *a priori* convictions that it must be so, have no doubts

at all on the question. Protection has certainly enriched some manufacturers, and has given great power to trusts and monopolies, as we shall see in a later chapter, but if, as appears to be the case, it has penalised agriculture and retarded the growth of population, upon which manufacturing industry depends for a market, it would seem that Protection has only deflected the channels of manufacturing enterprise without swelling its total volume.

Canada has always been more or less a manufacturing country. In the days of French rule there were iron works in existence, and most of the clothing of the people was woven in the colony. From the beginning of last century and earlier, Quebec and Nova Scotia had a considerable shipbuilding industry. In 1850 nine shipyards in Quebec employed 1,338 men, and there were a number of smaller establishments. In 1842 Canada had 14 paper mills, 96 breweries, 897 saw mills, 261 tanneries and 147 distilleries. In 1856 there were 692 flour and oatmeal mills, 74 woollen mills, 232 tanneries, 50 breweries, 102 distilleries, 97 foundries, 8 shipyards and 388 other industrial establishments.

It is needless to multiply figures, but those given above are sufficient to show that long before the introduction of the "National Policy" the Canadian people had well established industries, besides those concerned with primary production. They have lately increased much in number and productive capacity ; they have levied heavy toll on the pioneer

and the wheat grower, and some of them have begun to "dump" their goods in foreign markets at lower prices than those offered to Canadians. This last development may safely be credited—or debited—to Protection, but nothing more can be confidently asserted of the share which Protection has had in fostering the growth of Canadian manufacturing as shown by the following table:—

WORKERS EMPLOYED, WAGES PAID, AND VALUE OF GOODS PRODUCED IN CANADIAN MANUFACTORIES FOR THE YEARS 1871, 1881, AND 1891. (*The figures for 1901 are not yet available.*)

| | | 1871. | 1881. | 1891. |
|---------|--------|---------------|---------------|---------------|
| Workers | | 188,000 | 244,000 | 345,000 |
| Wages | | \$3,869,000 | \$56,897,000 | \$93,144,000 |
| Product | | \$221,618,000 | \$299,740,000 | \$448,021,000 |

More important than the mere increase in production is the increase of wages which took place between 1871 and 1891, an increase of 84 per cent. on the number of workers being accompanied, according to the "Canadian Encyclopædia," by an increase of 129 per cent. in the wages paid, and of 102 per cent. in the value of goods produced. These figures indicate growing prosperity in Canada, but to conclude that Protection has been the cause of it would be quite unjustified without elaborate analysis showing what wages were paid in the unprotected industries and what in the protected, without taking into account the different general conditions affecting industry in the two years, and without comparing the prices current. Such an examination is beyond the scope of this

small volume, but it must not be forgotten that there has been a very great increase of wages in Free Trade England during the last thirty years, unaccompanied by such an increase of prices as has accompanied it in Canada, while other facts quoted by protectionist writers on Canadian manufacturing would seem to show that it has not been fostered by a high tariff.

We learn, for instance, from the "Canadian Encyclopædia" :—

"From 1857 to 1864 were the 'halcyon days of the Canadian woollen industry.' The consumer was content to pay more for the home-made product which he knew was good and contained no shoddy; he was content with less variety, since he had quality and there were long runs on one pattern. 'The manufacturer had not only these things in his favour, but had that precious advantage, which his successor of this generation can but envy, of dealing with wholesale firms who espoused the cause of the home manufacturer, who rejoiced in his prosperity and helped him to uphold prices to the point of good living profit. By this confraternity of interest the manufacturer thrived well under a nominal protection of 17 per cent., and many new mills sprang up throughout the country, agreeably diversifying the products while 'custom' mills and carding mills still made a good profit."

It is a remarkable fact that the woollen industry in British Colonies has always enjoyed its "halcyon days" under a moderate tariff. It was so in Victoria and New Zealand as well as in Canada, and another conclusion, strengthened by the passage above, but drawn from many instances, is that under Free Trade or low duties the consumer has a quasi-patriotic

inclination to support local industry; he will pay a good price for its products, and a "fraternity of interest" between the dealer and manufacturer ensures that they shall be well recommended to him. Against heavily protected articles there is a very strong prejudice, caused partly by annoyance at their high price and the pressure put upon the consumer to purchase them, through the tariff making the imported article still dearer, and partly by the feeling that if goods need this high protection to gain a sale they cannot but be inferior. The effect of this prejudice, though difficult to gauge, is undoubtedly great, and often does much to take away from the manufacturer the advantages of an almost prohibitive tariff.

Figures concerning the manufacture and export of Canadian agricultural implements are further quoted by protectionists to evidence the benign effect of a high tariff. In the years 1894, 1895 and 1896, Canada exported agricultural implements to the value of \$1,727,421, while American exports of the same kind were valued at \$15,617,765 for the same years. Canada, it is pointed out, exported 55 per cent. more than the United States in proportion to population, even without allowance for the fact that a considerable amount of the goods credited to the United States were really Canadian goods shipped through American ports. Granting that these figures are correct, what do they prove, if they prove anything, but that this particular industry has thriven far better under the comparatively

low duties of Canada than under the almost prohibitive duties of the United States? The inference is that with lower duties the Canadian industry might thrive still more, and sell to the Canadian farmer as cheaply as it does to the foreigner. The great Massey Harris Company, the largest manufacturer of agricultural implements in the world, began operations away back in 1847, and put many ingenious implements on the market before 1863. Under the "National Policy" it has certainly absorbed many companies "affiliated" to it, it is largely concerned in the operations of others, it employs 2,500 hands, exports largely, and practically charges to the home buyer what it pleases. Its operations began and developed under Free Trade, its monopoly is a triumph of Canadian Protection, and an object-lesson to Canadian free traders.

Having quoted protectionist authorities on the help given to manufacturing by Canadian Protection, let us look at the opinions held by a Free Trade authority upon its general effects. In the *North American Review* of May, 1890, Sir Richard Cartwright, Minister of Trade and Commerce in Sir Wilfrid Laurier's Cabinet of 1897, contended that the result of the "National policy" had been :—

1. To remove all check on the expenditure of the Government and to encourage a reckless extravagance on their part, which has resulted in an annual expenditure for Federal purposes of nearly 50 per cent. more (after making all deductions) for a

population of less than five millions, than the sum required by the United States for the like objects when their population was over twenty millions.

2. To systematise and intensify the tendency (always so perilous to the welfare of representative governments) to use corrupt means for the purpose of influencing the Press and the electors, and to make it the direct pecuniary interest of a very active and influential class to provide a regular and large fund for such purposes.

3. To aggravate and accelerate the tendency to accumulate large fortunes in few hands, and at the same time to increase the indebtedness and depreciate the value of the property owned by the mass of the community, more especially in the case of the agricultural class.

4. To favour the growth of a few large towns at the expense of the smaller ones, and of the rural population, which latter has been reduced to an absolutely stationary condition over very large portions of the Dominion, in spite of a large (alleged) immigration, and of the fact that much new territory has been thrown open.

"These," he proceeded, "so far have been the results in Canada in the period from 1879 to 1890; and if they have been more marked than in other cases, the explanation is to be found in the fact already alluded to, that for a variety of reasons Canada is singularly ill-adapted for carrying out a scheme of Protection, and was singularly unwise in allowing herself to be induced to copy the United States."

On this question Professor Short, who admires the spirit which animated the Americans when they first set to work to become a great manufacturing community is in partial agreement with Sir Richard Cartwright.

"In Canada," he writes, "the same degree of home-centred, self-reliant enterprise did not precede the specific adoption of a protectionist system. As a result, the industries which the "National Policy" brought into existence were simply foreign importations mechanically reproduced. In the majority of cases the motive power, the machinery and the raw materials were all alike imported. Such industries diligently exploited the tariff, but left the natural resources of the country pretty much where they were. Naturally the whole movement was very disappointing, and, instead of diminishing, rather increased the tendency to look abroad for assistance."

But however ill-advised Canada may have been in imitating the United States—and that she was ill-advised, no free trader can doubt—it is impossible not to see that her proximity to the United States and her peculiar relations with them made it more difficult for Canada than for any other British Colony to adopt a Free Trade policy. For over thirty years there has been constant complaint from Canadians entering on industrial enterprise of "dumping" by Americans, and in 1872, after over-production in America and consequent depression, the complaint was particularly loud and bitter. Even in England, populous, industrially powerful, and separated by thousands of miles of ocean from

the United States, the sale of American goods at cut rates has caused annoyance and threats of hostile action. In Canada there was real reason to fear deliberate attempts on the part of American manufacturers to ruin certain manufacturing enterprises in the Dominion. It lay close at their hand, and business considerations were interlinked with those of politics. American statesmen always hoped to coax or to coerce Canada into joining the Union ; their reciprocity treaties and some of their duties were dictated by those hopes, and a keen eye to business on the part of the American manufacturer was quite consistent with "dumping" on a scale which he would attempt in no other country in the world. Even if he sold his goods at a heavy loss he had before him the possibility of an alternative reward. He might break down Canadian manufactures in spite of their tariff shelter and thus enlarge a market in which he could compete on advantageous terms with any foreigner, or he might assist in the political end of bringing Canada into the United States, in which case there would be an increased business for him in a market walled in by the almost prohibitory duties of the American tariff. It was thought that Canadians might despair of finding remunerative outlets for their labour and capital in the face of such competition, and despairingly ask for admission to the markets of the Republic through the door of annexation.

These tactics might have been successful had

the national sentiment of Canada been less strong. As it was, they irritated her into fighting them, perhaps mistakenly, by a protective tariff, and were largely responsible for the ultimate granting of preferential treatment to the United Kingdom.

CHAPTER V.

THE TARIFF REDUCTIONS OF 1897.

UP to the year 1896 Canada pursued the "National Policy" with considerable vigour, and although there were mutterings of discontent in many parts of the Dominion, especially in the agricultural West, increase rather than remission of protective duties was the rule. Motions to put coal, coke, breadstuffs, and numerous other articles on the free list were moved in 1882, but were all lost, and in 1893, at a convention of the Liberal party, with the Premier of Ontario in the chair, Sir Wilfrid Laurier moved a resolution, which was unanimously adopted, to the effect that the "National Policy" had decreased the value of farms and landed property, oppressed the masses to the enrichment of the few, checked immigration, caused great loss of population, impeded commerce, and discriminated against Great Britain. Previous to this, in 1892, there had been another effort to obtain reciprocity with the United States, but Mr. Blaine, who represented the United States at the conference, would not hear of any treaty which did not include manufactured goods, while the Canadian delegates were sufficiently under the influence of Canadian manufacturing interests to refuse

reciprocity on these lines. They wished to confine it to natural products, and were blamed by a large section of the Canadian Press and people for their half-hearted efforts in the matter.

The Dingley Tariff Bill in the United States caused great injury to the Canadian export trade, and while it created deep resentment, and its ultimate effect was to create a strong feeling in favour of cultivating trade relations with Great Britain, in the first instance it brought about renewed attempts to escape its effects by means of reciprocity with America. Canadian agriculture had been the chief sufferer from the American high duties, the value of agricultural exports to the United States falling from \$9,572,000 for the year ending June 30th, 1890, to \$1,911,000 for the year ending June 30th, 1895. Hence the failure of the negotiations caused great disappointment, and in 1896 a proposal for unrestricted reciprocity was made by the Liberal party, under the leadership of Sir Wilfrid Laurier and Sir Richard Cartwright; but Sir John Macdonald denounced it as "veiled treason," since he considered it would result in annexation to the United States, injure England, and involve \$14,000,000 of direct taxation in Canada through loss of customs revenue. There were further increases of the tariff in 1894, but nevertheless this new hankering after reciprocity seemed to show that the purely protectionist spirit in Canada was growing weaker, and in 1897 Sir Wilfrid Laurier came into power with a strong Free Trade following.

It was generally expected that he would make sweeping changes in the fiscal policy, and the measure of reform which he did effect was disappointing to many of the keen free-traders who supported him. The specific duties were to a great extent dispensed with and replaced by *ad valorem* rates. The duty on Indian corn was abolished; fencing wire, reaper and binder twine, mining machinery, surgical and dental instruments, and some other articles were either immediately or a little later placed upon the free list; the duty on sugar was reduced from \$1.14 to \$1 per 100 lb.; there were reductions in the duties on maize meal, wheat, flour and iron, and increases on spirits, cigars, and tobacco. This was a poor result for a successful Free Trade campaign, but the pressure of the tariff was somewhat further reduced by the introduction of preferential treatment to certain goods of British origin, which was later described by Sir Richard Cartwright as a "flank movement" against Protection "successfully undertaken after many frontal attacks had failed." Leaving the consideration of the preferential tariff for a moment, it may be of interest here to note the treatment of the Canadian iron industry by Sir Wilfrid Laurier's administration. The duties on iron and steel were reduced in 1897 in some instances to one-half and in others to three-quarters of the rate they had reached in 1894, and in 1899, by way of compensation for this reduction, bounties were provided for on the following plan (p. 49):—

THE TARIFF REDUCTIONS OF 1897. 49

CANADIAN IRON BOUNTIES.

| | On Pig Iron. | | On Steel. |
|--|------------------|-------------------|-----------|
| | From Native Ore. | From Foreign Ore. | |
| | \$ | \$ | \$ |
| To April 21st, 1902 | 3—00 | 2—00 | 3—00 |
| From April 21st, 1902, to July 1st, 1903 | 2—70 | 1—80 | 2—70 |
| „ July 1st, 1903, to July 1st, 1904... | 2—25 | 1—50 | 2—25 |
| „ „ 1904, „ 1905... | 1—65 | 1—10 | 1—65 |
| „ „ 1905, „ 1906... | 1—05 | 0—70 | 1—05 |
| „ „ 1906, „ 1907... | 0—60 | 0—40 | 0—60 |

The protectionists insisted that the bounties did not compensate for the reduced duties and that the iron industry had been ruined. Yet \$1,800,000 were paid in bounties between 1899 and 1902, and though Mr. Borden, the leader of the Opposition, speaking on June 9th, 1903, complained that the imports of iron and steel had increased between 1896 and 1902 from \$10,203,052 worth in the former year to \$53,601,625 in the latter, the Canadian production had also largely increased. In 1902, \$791,000 were paid by the Government in iron bounties. About 800,000 tons of iron and its products were consumed in Canada, of which one-third was locally produced. The production of pig-iron was 244,000 tons for 1901, and on November 20th of that year Mr. Clergin, chairman of a company controlling assets alleged to be worth almost a hundred million dollars, told the *Toronto Globe* that the output of his iron mines at the Sault was now 1,000 tons a day, and all that he needed was more Protection. It was not denied that in the days of high Protection

the Nova Scotia Steel Company was paying only 80 cents to a dollar a day in wages, which was much lower than the rate in 1903, and when it was urged by protectionists that Canada should raise her duties to the level of those in United States, where the ruinous state of the trade threatened Canada with wholesale "dumping," Mr. Bourassa, M.P., very pertinently asked how came this ruin to the iron trade under the American high tariff, which was to improve matters in Canada. The bounties and such Protection as Canadian iron retained were sufficient to raise Canadian prices to the injury of the Canadian manufacturer, and to bring about a considerable export trade. In 1898 pig-iron was exported to the value of \$75,000. In 1899 the value rose to \$90,000, and in 1902, to \$1,262,000. In 1898 the exports of steel and manufactures of steel amounted to only \$43,000, and in 1902 to \$601,000.

CHAPTER VI.

THE PREFERENTIAL TARIFF.

THE Canadian Reciprocal Tariff introduced by Sir Wilfrid Laurier was intended primarily to benefit British trade, though other countries shared its benefits owing to commercial treaties between the United Kingdom and Belgium, France, Germany, and Spain, which were denounced in order to permit of Canada giving special favours to the Mother Country. The Reciprocal Tariff which lasted from April 23rd, 1897, to June 30th, 1898, provided for a reduction of one-eighth in the duties on British goods, and on the goods of other countries which gave Canada tariff treatment as good as she gave to them, such reduction to be increased to one-fourth from July 1st, 1898.

On the denunciation of the hampering treaties by the United Kingdom, and their expiration in July, 1898, Canada from the 1st of August of that year increased the preference and confined it entirely to goods from the United Kingdom and those British Colonies which gave Canada as favourable terms as they received from her. It did not apply to tobacco or spirits, and was confined to the *bonâ fide* products of the United Kingdom or the Colonies. On July 1st, 1900, the preference was increased from one-fourth to one-third.

The motives leading to the granting and extension of the preference were various. From one point of view it was, as Sir Richard Cartwright said, a flank attack upon Protection. From another it was a free gift of trade advantages to Great Britain, inspired by Imperial sentiment and a desire to render some return for the military and naval protection which Canada derived from the United Kingdom. This aspect of the preference was perhaps specially marked on its extension in 1900, which would have met with more opposition than it did from the protectionists, but that British sentiment was particularly strong. owing to the war in South Africa, while there was further a belief that the United Kingdom might later show its appreciation by imposing duties upon foreign corn and exempting that from the Colonies. All along there had been a hope that England might reciprocate. Sir Wilfrid Laurier showed that this was desired when he said in 1902 :—

“As we could not obtain an Imperial preference, we thought we would give a preference ourselves. Why did we do that?—Because it was our best measure of tariff reform. And it has served its purpose well. It may not have accomplished all that we hoped; nevertheless, the results are there and show for themselves—one of them being that our trade with Great Britain has almost doubled within five years.”

In 1902 the imposition of the British corn duties considerably raised Canadian hopes, and in June of that year, long before Mr. Chamberlain had spoken, the *Toronto Globe* published an article from

which the following is portion of a digest, given in the Canadian *Annual Review* :—

“Canada would rejoice in a British tariff preference given freely and without Colonial coercion.

“Canada is too rich in natural wealth and possible industrial greatness to clamour for fiscal doles from even the Motherland.

“There should be no Canadian alliance with any British political party in order to help to obtain such a preference.

“The only safe line to approach the question on either side is by the preferential remission of taxation.

“Canadian revenue requirements and the safety of its industries prevent the adoption of Mr. Chamberlain’s policy of Free Trade within the Empire.

“The natural desire of Great Britain is to manufacture for the Colonies, and the natural desire of the latter is to manufacture for themselves.

“A tax on foreign grain and food products in favour of the Colonies is desired by the latter, while the Liberal party at home is absolutely opposed to it.

“Many Canadians seek to re-establish Protection in Great Britain; many in England want to inaugurate Free Trade in the Colonies.

“The present Canadian preference is a fair basis on which to ask a British preference in the new corn duties.”

The hope that the British corn duties would be made preferential was not realised. A report of the Board of Trade upon the effects of the Canadian preference caused Mr. Chamberlain to say, at the Conference of Colonial Premiers held in 1902, that they were very disappointing, to which there came a Canadian reply urging that British trade had benefited to a most substantial extent. It was pointed out that between 1897 and 1901 British

dutiable imports into Canada had increased by 56 per cent., while those from other countries, excluding the United States, had increased by only 32 per cent. In the four years before the preference, between 1893 and 1897, while British dutiable imports had decreased by 36 per cent., those from the United States had increased by 7 per cent., and those from all other countries by 64 per cent. Between 1897 and 1901 the percentage increase in the dutiable goods from all countries had been practically equal to the percentage increase in dutiable goods from the United Kingdom. It was true that the British proportion of the Canadian import trade was growing smaller even under the preference, but this was chiefly owing to the enormous importation from the United States of free-list goods—chiefly raw material—which Great Britain could not supply, and, while between 1893 and 1897 the British proportion of dutiable imports into Canada had fallen from 45·61 per cent. to 30·53 per cent., in the succeeding years up to 1901 it had only fallen to 29·92 per cent. In the year 1902 imports dutiable and undutiable from all countries into Canada increased by 12 per cent., those from Great Britain increased by 14 per cent.

The substantial nature of the advantage enjoyed by England was exemplified by the case of cottons and woollens, of which the former paid duties of 29 per cent. *ad valorem* before the preference, and 20 per cent. in 1901, while the duties on British woollens had been decreased from 32 per cent. to 23 per

cent. It may here be remarked that this reduction on British woollens has caused great heart-burning among Canadian protected manufacturers, who declare that their trade is being ruined, and in April, 1904, the closing of a woollen factory employing 700 workers was reported. If it be true that Canadian manufacturers cannot compete against British goods with a protective duty of 23 per cent., whereas, according to protectionist authorities, they flourished thirty years ago and enjoyed their halcyon days with duties of only 17 per cent., it would seem that the industry has become enfeebled by long dependence upon high Protection. It is still protected by a high tariff against "dumping" from the United States, and if English manufacturers can pay carriage from England as well as a 23 per cent. duty, and nevertheless undersell Canadian manufacturers with profit to themselves, in that fact lies a strong indictment of Canadian Protection. The probability is, however, that the closing of mills is merely bluff designed to frighten the Government into increasing duties, or reducing the preference so as to permit of profits on the lordly scale which protected manufacturers consider themselves privileged to maintain.

The Canadian statement concerning the preference to Great Britain disclaims the existence of Protection as other than an incident in the Dominion tariff:—"The Canadian tariff was framed specially for revenue purposes with Protection as an incident ;

it admits of reasonable British and foreign competition with the domestic manufacturer and producer: it is not in any sense prohibitory." A so-called revenue tariff with incidental Protection to the extent prevailing in Canada is perhaps the most difficult of all for free traders to successfully attack. The protective principle being once admitted there is constant clamour from protected interests to raise the duties and make Protection effective, while the partiality of the Canadian Liberal party for customs taxation, which falls chiefly on the masses, and its declared hostility to direct taxation which would fall more heavily on the rich, deprives it of help from the classes who would support a truly Liberal administration in fighting the power of protected manufacturers.

To return to the question of preference, it is finally declared by the Canadian memorandum that :—

"If any doubt exists in Great Britain as to the substantial nature of the preference granted by Canada in favour of British goods, certainly none exists in the United States. The manufacturers there have found it necessary to reduce their price to Canada to off-set the preference."

The United States may fight the preference in this manner. Germany has taken other measures upon which Mr. Fielding, Minister of Finance, reported to the Canadian House of Commons on April 16th, 1903. Prior to July 1st, 1898, as part of the British Empire, Canada received "most favoured nation" treatment from Germany. On

July 31st, 1898, the treaty was denounced, but before its expiration a provisional arrangement was entered into between Great Britain and Germany, from the benefits of which Canada was excluded. There was correspondence between the High Commissioner, Lord Strathcona, and the Canadian Government, and on July 11th Lord Strathcona wrote to the Under-Secretary of State for the Colonies protesting against Germany's attitude, and claiming that the preference was a purely domestic arrangement. It was proposed to treat Germany like other foreign countries, and Germany had not exacted any penalties in her tariff on the colonies of France, Spain and Portugal, which gave the Mother Country preferential treatment.

Representations were made to Germany through British diplomatic channels without any effect, and in the autumn of 1901 the Canadian Government entered into negotiations with Herr Bopp, the Imperial German Consul in Montreal. After a conference with him in November, 1901, Mr. Fielding wrote a memorandum to Herr Bopp setting out the facts. It suggested that there was a misunderstanding of the position on the part of Germany, and showed that Canada was a far better customer for German goods than Germany was for Canadian goods. Between 1896 and 1901, goods from Germany for home consumption in Canada totalled \$10,823,169, and from Canada for home consumption in Germany only \$1,298,656.

The Canadian Government had been pressed to retaliate. It, however, hoped for an amicable settlement, and though English intervention would be necessary for framing a formal treaty, this confidential memorandum was designed to bring about a better understanding. "If Herr Bopp should be able to intimate at an early date that the suggestions herein made are received with favour, steps could then be taken to have the matter dealt with more formally through the proper treaty-making channels." Nothing, said Mr. Fielding, had been done. They had waited patiently for five years, and would now take steps to assert their right to give England a preference. They would take a leaf out of Germany's own book. In the German tariff recently passed but not yet in operation there was provision for a surtax of 100 per cent. additional duty on dutiable goods, and of a tax of 50 per cent. *ad valorem* on free goods of any nation discriminating against Germany. The Government did not mean to go quite so far, but from the next morning a surtax of 30 per cent. would be levied on all German dutiable goods, those which were not dutiable remaining free. This surtax would be under a general clause of the tariff applying the same treatment to the goods of any other nation which might discriminate against Canada, but as to Germany it would be operative immediately. He supposed one result of it would be to further trade between Canada and the British West Indies.

The surtax upon German goods was thereupon imposed, and later in the year the Bill providing for it was passed. Dutiable imports from Germany into Canada amounted in value to \$9,175,000 for the year ending June 30th, 1902, and to \$10,288,000 for the year ending June 30th, 1903. No figures are available of sufficiently late date to show what effect, if any, the surtax has had on trade between the two countries.

There is no doubt that Canada was entirely within her rights in imposing the surtax, but it is not so certain that there was justification for the complaints made by Canada, and recently renewed by the Imperial Government, against the action of Germany, since in tariff matters the self-governing Colonies have complete independence of the United Kingdom, and "domestic arrangements" giving a preference to British goods are scarcely analogous to preferences given by the Colonies of other countries whose tariff policy is controlled by the home Government.

What the future of the preference will be it is difficult to say. The Canadian Government is being hard pressed by many Canadian manufacturers to reduce or abolish it, and those who urge this would be very little placated by a preference to Canadian wheat, even if England should accord it. They would in no way be relieved from the competition of the British manufacturer by duties which raised the price of wheat or other agricultural products in the

British market. At present, however, the Canadian Government stands firm for the preference, which apart from Imperial sentiment is approved by free traders because it lessens the tariff burdens of Canada. Its abolition would certainly be a considerable loss to England, from which Canada imported \$42,439,000 worth of dutiable goods in 1903, against \$35,330,000 worth in 1902, but its retention would be dearly bought by a duty on British food imports, if that were the price fixed by Canada as necessary and adequate to retain it.

CHAPTER VII.

THE STRENGTH OF PROTECTIONIST
FEELING.

IN the course of last year there were many discussions upon tariff questions in the Canadian Parliament, and though there is a strong feeling among the Western wheat-growing population for a reduction in the tariff, there is practically no party fighting for real Free Trade, and large interests are fighting desperately hard for more Protection. For a time the Laurier Government was giped at for having preached Free Trade and for practising Protection, but lately the cry has been that the lower tariff is ruining Canadian industry, and while the Liberals maintain that the reductions made by them have on the contrary immensely increased prosperity all round, they show no desire at present to go any further with this beneficent policy. There is some reason, indeed, for believing that they will not stand by their reforms, such as they are, but will give way to pressure for an all-round increase of duties. This belief is much strengthened by the recently announced retirement from the Government of Sir Richard Cartwright, who was perhaps the staunchest free trader it contained. Another

Minister who retired in April, 1904, is Mr. Sifton. No grounds for the resignation of either of these gentlemen are so far announced, but it is practically certain that the effect will be to weaken opposition to higher duties in the Cabinet. Mr. Sifton, while he claimed that the present tariff was a compromise, well and carefully worked out, and disclaimed any intention on the part of the Government to reduce it, nevertheless told an Ottawa journal in 1901 that he would like to see it lower, and that any attempt to increase its protective features would meet with the strenuous opposition of every Liberal elected west of Lake Superior. At that time Sir Wilfrid Laurier was also more inclined to stand by Free Trade principles than he is at present, for on his return from England he insisted in very strong terms upon the resignation of Mr. Tarte, a member of his Ministry who had seized upon the occasion of the Premier's absence to engage in an energetic protectionist campaign. In 1903, when Sir Wilfrid Laurier was questioned in the House as to the Government's tariff policy, he still declared that he was a "free trader by conviction," but showed very clearly that his convictions would have little effect upon his policy, by admitting that he "had favoured a tariff for revenue purposes carrying with it a good deal of incidental Protection." He refused to declare that he would not increase the protective incidence of the tariff, since the conditions of the country changed and varied, and what suited its conditions in 1897 might not suit its conditions in 1904. The

Government, he said, was not a Government of doctrinaires, and was always ready to listen to complaints when they were made to it, and would give a sympathetic ear to the grievances of any industry.

The grievances referred to were those arising out of too small a measure of Protection, and one of the complaints to which Sir Wilfrid Laurier gave a sympathetic ear came from the manufacturers of reaper and binder twine, who were granted a bounty of $\frac{3}{8}$ cent per lb. in order to counteract an export duty of that amount levied by the United States on all the raw material, Manilla hemp, exported from the Philippines, with the allowance of a drawback on hemp manufactured in America. The duty on binder twine was abolished by Sir Wilfrid Laurier in 1897, since which time its manufacture in Canada has considerably increased.

Another declaration of policy made by Mr. Mulock, the Postmaster-General, expressly disclaimed Free Trade as the policy of his party. Speaking at the Canadian Club on December 26th, 1902, he protested against the Government's opponents seeking to make a political football of Canadian trade by representing the Liberal party as a Free Trade party, hoping thereby to create alarm in business and financial circles. There was no issue, he declared, of Free Trade against Protection in Canada. The only question was between a high prohibitory tariff and a moderate just tariff.

In the face of this apologetic attitude on the part of Liberal Ministers and the vehemence shown by the protectionists in the discussions of the general tariff principle, into which members plunged on the smallest pretext last year, it would be rash to prophesy that the Canadian tariff will not be raised much higher in the near future. The Western people, it is true, are for the most part opposed to high duties—though in British Columbia protection for lead is demanded—and the Trades and Labour Congress of 1902, which was the largest on record, and numbered 150 delegates representing 102 labour organisations, passed a resolution, “condemning any proposal to increase the tariff as being in the interests of the holders of lands and forests and mines, from whose extortion labour was now suffering, and asking instead for the transfer of taxes to those values which now allow non-production to impoverish industry.”

On such lines as these enthusiasm might be evoked for a Free Trade movement, but the Liberal party has no desire to abandon customs duties for direct taxation. It would involve an attack upon the privilege now enjoyed by the few of thrusting a disproportionate part of the burden of providing revenue upon the shoulders of the many, and this could scarcely be expected of a Government which admits the vicious principle that special privileges should be given to industries with a grievance, when the grievance complained of is inability to obtain such high prices as are desired for its product.

Sir Wilfrid Laurier appears to have entirely surrendered all pretence of Free Trade principle when on pressure from the iron industry last year he promised to impose a duty of \$7 per ton on steel rails as soon as they should be made of sufficient quality and in sufficient quantity to justify it.

The well organised manufacturers have far more weight with the Government than working men or agriculturists, and the Canadian Manufacturers' Association is vigorously demanding more Protection. In August, 1902, it unanimously passed a resolution declaring that the changed conditions then prevailing in Canada demanded the immediate and thorough revision of the tariff upon lines which would more effectually transfer to the workshops of the Dominion the manufacture of many goods which it then imported from other countries. No objection was offered to a substantial preference to the Mother Country on condition that the tariff was primarily framed in Canadian interests, provided always "that under any conditions the minimum tariff must afford adequate protection to all Canadian producers."

It is quite certain that Canadian manufacturers will tolerate no preference which gives to England any trade which they hold themselves, and it is safe to say that they would not long tolerate a preference which gave any substantial portion of trade now enjoyed by American or other foreign manufacturers to those of the United Kingdom. If the tariff can be so manipulated, they would say, as to

take business from the American and give it to the Englishman, it can be further manipulated in order to take it from the Englishman and give it to us. The slight increase of British competition with Canadian manufacturers which the preference has accomplished is already making it unpopular, and the writer of a recent book, "Sixty Years in Canada," gives frank expression to a wide-spread opinion when he says that the British Preferential Tariff of 1897 is the most serious blow that has fallen upon Canadian industries since 1868, and that "the only hope is that the Canadian Parliament will, without delay, eliminate this clause from the Canadian tariff, now that it has accomplished its purpose of causing the Imperial Government to show its hand."

And yet it is hard to believe in the ruin of Canadian manufacturers in the face of figures showing that the exports of Canadian manufactured goods for 1902 were worth nearly \$18,500,000 as against \$16,000,000 for 1901. Among other items in the later year were cottons to the value of \$904,000, showing that the cotton industry at any rate was not ruined by the preference. Of iron and steel the exports were worth \$2,461,000, of agricultural implements \$1,815,000, of leather \$2,302,000, of musical instruments \$466,000, of wood pulp \$2,046,000, of other wood \$1,133,000, of drugs and chemicals \$621,000. The exports were greatest of those manufactures which depend upon the natural resources of the country and stand in

need of no Protection. The manufacturers of Canada are not satisfied with this advance, with an increasing trade in their own markets and the markets of the world. They demand "control" of the former, and the power and profit resulting from monopoly. How near they have come in some instances to attaining it was well shown by Mr. Wade, M.P., in the debate on the binder-twine duties on July 24th, 1903. The facts he mentioned were not contradicted, and they point so clearly to the development of industrial tyranny behind the shelter of the tariff, on lines already made familiar to us by the trusts of the United States, that unless his exact words were quoted here, it might be thought that undue colour was given to his accusations, in paraphrasing them. Mr. Wade said :—

"He [the last speaker] made also another startling suggestion in the interests of the farmers, and that was that the Canadian manufacturer should be given control of the Canadian market. Let me illustrate what that means. I will take one class of manufacturers and I will show how they deal with the country. I have under my hand some papers. I will take hardware, for instance; cut nails, wire nails, tarred paper, pressed spikes, tacks, lanterns, rope, lead pipe, shot, bolts and nuts, tire bolts, screens, carriage bolts, bolt ends, varnishes, shovels, coach screws, wire of all sorts, nuts, axes, wooden ware, wire doors, wire screens, coal hods, stove pipes, elbows, locks and knobs, scales, papers, white lead, and putty. There is an association of these gentlemen, and I mean to say to this House that no wholesale dealer in Canada can buy a dollar's worth of any of these articles from any one of the members of this association until he

enters into a binding agreement that he will not purchase from any other parties outside the association, that he will not sell for a less price than that dictated, and then they will not really sell him the goods, but they will allow him a return commission for selling them. They dictate the price at which he shall sell them, and compel him to buy from them, and after that they require him at stated periods, each year, or each six months, or each month, to make a statutory declaration that he has performed all these conditions. Let me read to the House an extract I have, an extract from a contract that they require the dealer to enter into. This is the statement of the shot men, and I will refer hon. gentlemen to the well-known firm in Toronto of Jenkins and Hardy, who are the agents for a number of these concerns:—

“‘SHOT.

“‘*January 8th, 1903.*

“‘DEAR SIRs,—We beg to advise you that subject to the following conditions, you may be entitled to a premium of $2\frac{1}{2}$ per cent. upon the net amount of your purchases of shot (commencing to-day) in each six months ending June 30th and December 31st, same to be payable within thirty days after the expiration of each six months upon which premium applies.’

“MR. THOMSON (Grey): I am in the hardware business.

“MR. WADE: What manufactory are you connected with?

“MR. THOMSON (Grey): I am a dealer in hardware, and in that statement you have read they stipulated nothing about the price the shot should be sold for.

“MR. WADE: I have yet that to read, and if my hon. friend is a retailer I may say that this does not apply to him at all. It refers to the wholesale man who stands between him and the manufacturer, and the wholesale man has to run the risk of his insolvency. That is what I am getting at. Here are

the conditions :—‘ Conditions : That we receive from you, after the end of each six months’ period ending June 30th or December 31st, declaration which satisfies us that in the six months upon which you are applying for premium, you have not imported or purchased shot from any manufacturer other than those whose names appear below, and that you have not directly or indirectly offered or sold shot at less than the established prices of the Shot Association of Canada to the retail trade, or upon more favourable terms to your customer than the established terms of the said Association to the retail trade. We reserve the right to revoke and cancel all or any part of this proposition at any time on notice to you by registered letter of our desire and intention to do so, but not thereby to relieve ourselves of any obligations which may have accrued on your above-described purchases of shot up to date of said revocation.’

“ These are the conditions which are imposed, and if the hon. gentleman doubts my word he can go to the well-known firm of Jenkins and Hardy, and he will find that such is the case. I have the form of declaration which is required from these wholesale firms every six months, or year as the case may be, and if they do not make it they cannot purchase that class of goods from the parties who are in the association, and as far as I know, and as far as I am informed and believe, it is the case with every one of these manufacturers forming part of the Canadian Manufacturers’ Association. I will state further that I have been informed and believe that the prices which are fixed by the Canadian manufacturers to-day throughout Canada for all hardware are prices which are agreed upon by them in conjunction with the American Manufacturers’ Association. Not very long ago I chanced to hear a conversation which was taking place between a strong supporter of the Conservative party, a wholesale merchant, and another gentleman, and he made this statement :—‘ It is no use for us to talk about it ; we in

the wholesale trade are absolutely at the mercy of the manufacturers of Canada, and they are in affiliation with the manufacturers of the United States.'"

Mr. Sproule, another member, declared that business in the leather trade was conducted on exactly the same lines. It may well be believed that manufacturers with so much power and so ready to do business on lines like these will exercise very great influence on the future of the tariff, without that belief involving the accordance of any credit to the tales of ruin by which they support their *ad misericordiam* appeals.

CHAPTER VIII.

IMPERIAL PREFERENTIAL TRADE.

WHEN Mr. Chamberlain first propounded his scheme of tariff preferences within the Empire it was received in Canada with acclamation, and those who had supported the preference given to British goods believed that at last they were to receive the reward in a return of those advantages in the British market after which Canadians have hankered ever since the repeal of the Corn Laws. But as the protectionist feeling grows stronger in Canada, enthusiasm for Imperial preferences must decrease, for Imperial preference involves a further blow to Canadian Protection, unless, indeed, Great Britain should consent to levy duties on foreign goods as a reward for the reduced tariff Canada already extends to goods from the United Kingdom.

Mr. Chamberlain, at the Conference of Colonial Premiers, declared that the United Kingdom would want more as an equivalent for such a sacrifice; and since that time there has been a growing inclination in Canada to give less. The great objection to reciprocal preferences from the Colonial protectionist point of view is that there is no true reciprocity. The manufacturing interests

make the sacrifice in permitting increased competition from British goods; the landed interests reap the benefit in increased prices for agricultural produce, and of those increased prices the Colonial consumer, who has lost something of his Protection, will be forced to pay a part. In Australia the manufacturing interest is so strong that reciprocal preferences, even if offered by England, would have little chance of acceptance. In Canada the wheat growers, and the national pride in wheat growing, have a preponderating influence; and in Canada, accordingly, there is enthusiasm for Mr. Chamberlain's idea.

The Canadian feeling on the matter is well described, and some dangers of preferential treatment to Canadian prosperity are forcibly outlined, in an article by Professor Davidson, entitled "Canada's Second Thought on a Preference," which appeared in the *Fortnightly Review* of September, 1903. After pointing out that the first effect of the preference would be a vast boom in wheat growing, Professor Davidson proceeds to describe former booms which have burst with disastrous effect, and claims that there is nothing to differentiate that which is coming from all others. Wheat growing has already been undertaken too close for safety to the Northern limit, and, in addition to the dangers arising from climatic conditions, there is another involved in such a fatuous proceeding as resting national prosperity on the enactments and decisions of a distant Parliament

over which Canada has no control. There can be no stability in a preferential policy which, even, if carried, would encounter the keen hostility of nearly half the English people, and there would naturally be great resentment in England if any Colony attempted to dictate British policy and to prevent its change with a change of Government. Canada, says Professor Davidson, unfortunately seems at present prepared to take this risk with her eyes open.

The risk, indeed, is even greater than Professor Davidson points out. He alludes only to the obvious danger of a reversal of the preferential policy, but there is the further danger of its success, or at least of the success of the retaliatory proposals with which it is allied. Their avowed aim is to extort concessions from other countries, and if by any chance the effect of a Colonial preference penalising American wheat were the offer of reductions in the American tariff in return for the removal of the penalty, would there be the slightest chance of England refusing the offer? It is hardly thinkable, and if the American wheat were again admitted on equal terms with wheat from the Colonies, the result of the preference would be that the Colonies would find themselves tricked into growing wheat under promise of a higher price, and under conditions which necessitated that higher price, only to find themselves disappointed of it.

The wheat boom, according to Professor Davidson, would do serious harm to Canada in another

way by preventing the differentiation of agricultural industry which is necessary to a country's welfare, for even if the preference were extended to other products there is such a tremendous prejudice in favour of wheat growing that it would be feverishly pursued if the price of wheat were temporarily raised. When the price falls the boom will burst, leaving Canada semi-bankrupt, and

"Then will come Canada's second thought about the preference. The first thought is joyous acceptance; the second will be accompanied by gritting of the teeth. Then will revive some ideals of the past. 'Hewers of wood and drawers of water' was once a familiar phrase in Canada's politics. The voice of the oppressed manufacturer will be heard in the land, and the convinced Protectionist will begin to renew his partial studies of the trade question. Two things should never be forgotten—(1) That Canada is a great believer in Canada first, and (2) that Canada is protectionist in sentiment."

Professor Short, in his book upon "Imperial Preferential Trade," further emphasises the great weight which Canadian national and protectionist sentiment must exercise against any reciprocity which could possibly satisfy Great Britain by checking manufacturing development in Canada for the benefit of British manufacturers.

"The trouble with both the American and the Imperialist view of the Canadian future" he writes: "is that it is to be of the saw-log, pulp-wood and wheat growing type, with a great market for manufactured goods; and the only question is, who is to capture that market? That a manufacturing future

is plainly not suited to our condition is what Mr. Chamberlain insinuates in the most flattering terms. On grounds of sentiment of Imperial unity and finally of self-interest, we should be willing to leave the manufacturing to the Mother Country. But, in the first place, sentiment or loyalty affords a very precarious basis on which to do business, or, as in this case, to refrain from doing business. In fact, no more effective method of corrupting, and ultimately discrediting, all Imperial sentiment could be devised than to begin trafficking on it. What the Imperial preferential advocates on the two sides of the Atlantic are trying to do is to divide an expected mutual benefit in such a fashion that each party shall receive about three-fourths of it, on the ground that the other must concede something extra on the ground of sentiment."

After this ironical statement of the position Professor Short goes on to show that if the price of wheat will not be raised in England, as preferentialists assert, then the Canadian farmer will reap no benefit, and that those people are talking wildly who assure the British workman that Canadian gratitude and Imperial enthusiasm will cause him to open his markets to British goods and devote himself chiefly to the growing of wheat at prices no higher than those at present obtained. The British workman is assured that the foreigner will pay the wheat duties and that the enlarged Canadian market will provide higher wages for himself and higher profits for his master—an attractive if fanciful picture to the British workman; but with nothing in it particularly alluring to his Canadian fellow subject. To the contention that Canada need not sacrifice her home market to Great Britain in return

for a preference on her wheat, but need only transfer the business now done by the Americans to British manufacturers, Professor Short rejoins that the millions now paid by Canada to America are almost entirely for raw products and special manufactured goods which Great Britain could never supply. From the British point of view he touches a serious objection to any preferential trade which might bring about British dependence upon Canada for food supplies, since in time of war a hostile United States could cut the trade routes and make shipments from Canada almost impossible. Various other difficulties, he says, stand in the way of Canada becoming the granary of the Empire, "but the supreme objection must ever be that Canada cannot accept for herself any such blighted destiny."

Such is the Canadian view of Mr. Chamberlain's proposals as expressed by economists of standing in the Dominion, and endorsed by manufacturers who resent any proposal to increase facilities for competition from British goods. Canada will emphatically reject the slightest attempt to "found an Empire on forbidden industries."

An American article on the situation, written by Mr. Robert Ellis Thompson in the *Fortnightly Review* for September, 1903, puts the interesting view that what Canada has done, or may do, in the matter of tariff preference to England, is dictated neither by a desire to foster trade with the United Kingdom nor by the strength of Imperial sentiment, but is in fact an endeavour to force America

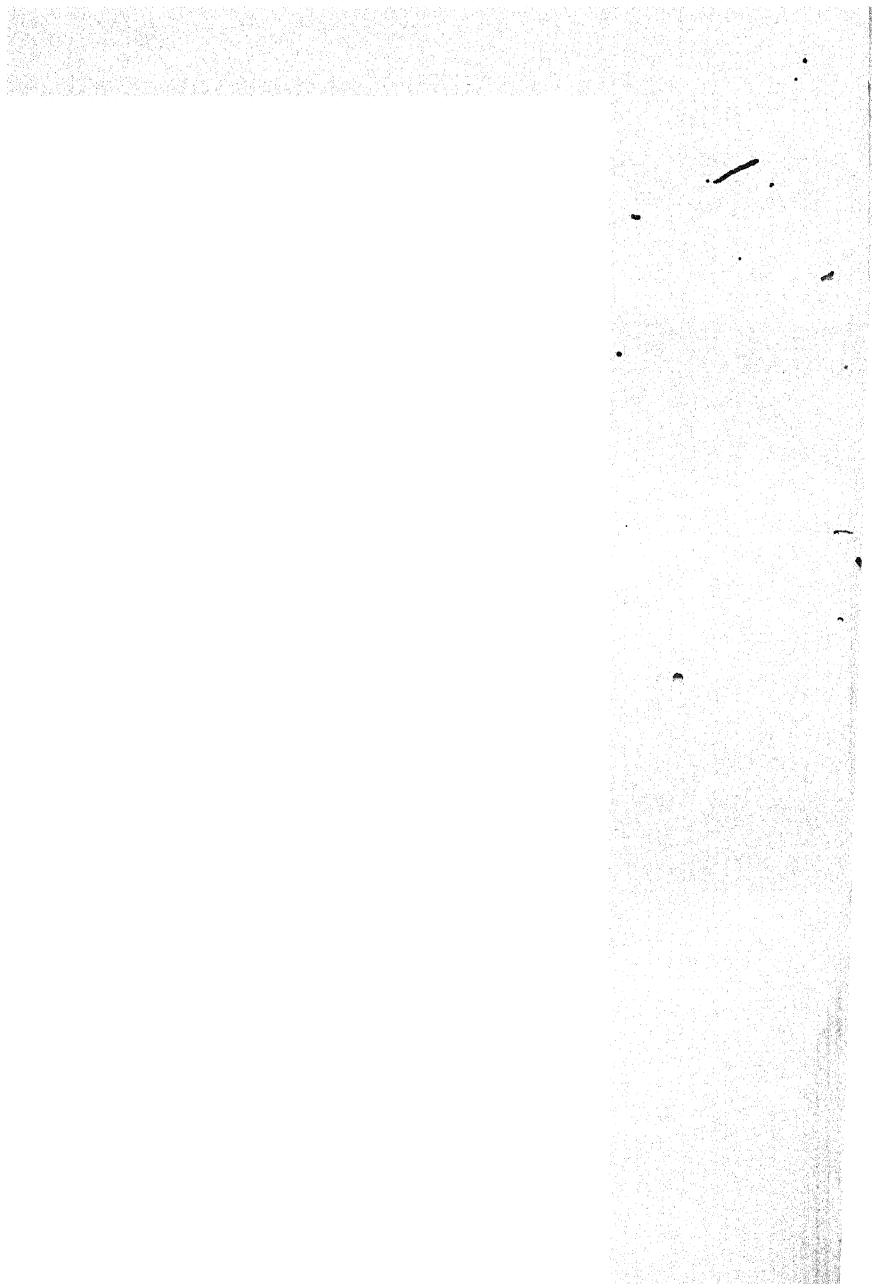
into reciprocity. Canada looks longingly at the populous Eastern States on her borders as a market for her foodstuffs—they cannot feed themselves and would willingly buy of Canada. Trade between the United States and the Dominion must always be greater than the Dominion's trade with any other country, and Mr. Thompson thinks Canada may raise duties against the States to almost prohibitive heights in the hope of gaining free entrance to American markets by their removal. He believes that Western grain interests will be strong enough in the United States to prevent the granting of reciprocity, but however this be there is ground for thinking that if it were granted the Imperial preference would be immediately abandoned. Trade advantages are more potent in tariff making than sentiments of Empire, and it must not be forgotten that before Sir Wilfrid Laurier and Sir Richard Cartwright gave preferential treatment to British goods they had been ardent advocates of unrestricted reciprocity with the United States. Sir John Macdonald denounced the proposal as "veiled treason," and predicted that if carried out it would result in annexation, but the Liberal leaders protested against Sir John Macdonald's epithets and vigorously dissented from his view of the consequences of reciprocity.

From the various opinions here quoted and from others for which space is not available; from the tone of recent Parliamentary debates; from the attitude of the Ministry; from the organised

strength of the manufacturing interests ; and from the recent great influx of Americans into Western Canada, it seems reasonable to conclude that the present preference to British goods will not be maintained on Imperial or sentimental grounds. Its interested opponents are too many and too insistent. It might be retained, though it is not likely that it would be extended, as part of a trade bargain with the United Kingdom. It may be held as the citadel of retreating free traders against the growing forces of Protection, whereas when the Free Trade reaction came in 1897 Sir Wilfrid Laurier designed it as outworks, whence further advances should be made against the protectionist enemy. Little advantage, perhaps, was taken of the Free Trade reaction in 1897, which has now more than spent its force, and if ever there comes another strong enough to shake monopoly interests and lighten the tariff burdens of Canada, it will be democratic and social, not merely economic and financial in its nature. In any country where dependence on foreign food does not put a powerful weapon into the hands of the free traders, it seems that the working classes will never remain uncaptivated by the specious premises of Protection, speaking to them in the guise of democracy, unless the essential democracy of Free Trade is made clear to them by its alliance with true Liberalism of other kinds.

Working men are becoming the predominant political force in all the Colonies, and the resolution

at a Canadian working-men's conference in favour of lower duties and of direct taxation shows in what direction lies the only hope of a return to Free Trade. A heavy revenue tariff always tends to more and more protective incidence, and it is quite unlikely that the present duties of Canada will be reduced, or even kept at their present level, unless and until the Free Trade party fights a campaign to replace the revenue lost at the Customs by a direct tax upon income and the unimproved value of land.



PROTECTION IN AUSTRALASIA.

CHAPTER I.

THE ORIGIN OF VICTORIAN PROTECTION.

PROTECTION in Australia owes its origin in a large measure to two Englishmen who were at the time quite unconscious of the work they were doing, and while one of them probably never knew the part he played in shaping Australian fiscal history, the other expressly repudiated the work upon which some of his Colonial admirers warmly congratulated him. This was John Stuart Mill, who, in 1864, wrote the following letter to a Victorian student of his works :—

“It is a great compliment to me that my supposed opinions should have had the influence you ascribe to them in Australia. But there seems to have been a considerable degree of misunderstanding as to what they are. The fault probably lies with myself in not having explained them sufficiently. I have entered rather more fully into the subject in the new editions published this spring. But, not to give you the trouble of referring to them, I can have no difficulty in saying that I never for a moment thought of

recommending or countenancing in a new Colony, more than elsewhere, a general protective policy, or a system of duties on imported commodities, such as that which has recently passed the representative assembly of your Colony. What I had in view was this: If there is some particular branch of industry, not hitherto carried on in the country, but which individuals or associations possessed of the necessary capital are ready and desirous to naturalise, and if these persons can satisfy the Legislature that, after their workpeople are fully trained, and the difficulties of the first introduction surmounted, they shall probably be able to produce the article as cheap, or cheaper, than the price at which it can be imported, but that they cannot do so without the temporary aid, either of a subsidy from the Government, or of a protective duty, then it may sometimes be a good calculation, for the future interests of the country, to make a temporary sacrifice, by granting a moderate protecting duty for a certain limited number of years, say ten, or at the very most twenty, during the latter part of which the duty should be on a gradually diminishing scale, and at the end of which it should expire. You see how far this doctrine is from supporting the fabric of protectionist doctrine in behalf of which its aid has been invoked."

It was in 1864 that the first Australian protective duties were introduced into the Legislative Assembly of Victoria, and the share which Lord Grey had in bringing about their introduction was much more remote than that assignable to Mill. Some people might indeed urge that it is merely fanciful, but a glance at the previous history of Victoria and a comparison of its subsequent tariff development with that of New South Wales justify the belief that Earl Grey, as the administrator of a

system, if not as an individual, is one of the authors of Australian Protection.

In 1851 gold was discovered in Victoria. Within the next few years all the Colonies of Australia with the exception of Western Australia, were given responsible government in exchange for more or less direct government by the British Crown. To Victoria, which had never been a convict settlement, population was flocking from all parts of the world, and between the years 1852 and 1856 340,000 people arrived in the Colony. Most of them were from the old world, but there were thousands of escaped convicts and ticket-of-leave men from New South Wales and Tasmania, whose presence occasioned an insecurity and an outbreak of crime, which roused law-abiding citizens to a state of dangerous exasperation. Regard for England decreased almost to vanishing point, as the British Government persisted in sending convicts to Australia, and raised objections to the steps taken by Victoria to prevent the immigration of criminals from other countries. There was much angry talk of separation, and Earl Grey, the Colonial Minister, who had broken pledges given to the colonists with regard to the cessation of transportation, was an object of universal execration. At a meeting of the Anti-Transportation League in Melbourne, held on the day following an audacious gold robbery from the ship *Nelson*, there was much fierce speaking by prominent public men. Alderman Johnston, a

member of the Legislative Council, moved a resolution to the effect that Earl Grey's conduct was rapidly wearing out the affections of the colonists for the Mother Country, and "must inevitably drive them to seek refuge from such heartless tyranny and oppression in national independence." He went on to say that a popular celebration of Her Majesty's birthday would be to burn Lord Grey in effigy in every city, town and village of Australia. They "could not go abroad without pistols, could not safely open their doors at night, or venture into the streets after dark, because they were ruled by a regardless, thoughtless, cruel tyranny 16,000 miles away, and represented by wavering imbecility here." Mr. Fawcner, also a member of the Legislative Council, urged resistance by force to the landing of convicts anywhere in Australia; and another alderman, Mr. Nicholson, saying it was not an uncommon thing to find men dead in the streets, attributed nearly all the crime and evil in the Colony to Earl Grey. "The foul crime just perpetrated was the work of Earl Grey." Mr. Dight, another member of the Legislative Council, bitterly attacked the administration of a man "whose undisguised object is to coerce the Colonies into receiving the sweepings of British gaols." Yet another councillor, Mr. Miller, said he did not want to take up arms, but if this state of things continued Australians would leave to their children a legacy of hate for the Mother Country. This would appear fairly

strong language, but the gentleman who used it was reproved for his moderation by a subsequent speaker, who asserted Australia's right to independence, and was loudly cheered when he said they had the diggers ready with their weapons to fight against England, and that they could raise some five regiments on the goldfields. "With Earl Grey moral force was of no effect; they needed to let him see there was physical force in the background."

All this is now ancient history; the hateful transportation system was soon abandoned, and as a matter of fact at the time when the colonists were so warmly denouncing Earl Grey he had already retired from office. Nevertheless, when it is remembered that Victoria was the first of the Colonies to adopt a protective system, and the only Colony which carried it to extravagant lengths, and that, further, this system was avowedly adopted as a "National Policy," being introduced by politicians who had declared themselves economically free traders, and that the ablest and most popular of them was entirely hostile to British interference in Victorian affairs—he habitually spoke of the Colonial Secretary as "a foreign nobleman"—there is some reason for attributing to Earl Grey a considerable share in the birth of Protection as an Australian "National Policy."

There were, doubtless, other important factors contributing to the same result. Among the hundreds of thousands who came to Victoria

from Europe and America in the early fifties was a considerable proportion of foreigners, many of them protectionists, and most of them more or less hostile to British policy, while, in common with the miners of British extraction, they were in continual conflict with the Government—in which none of the miners had any share—over the tyranny and high-handedness displayed in the matter of mining licences. The bitter feeling culminated in 1854 in the Eureka riots at Ballarat, when, for a few hours, the rebel flag of a Victorian Republic floated over the miners' stockade. It was carried by assault by a British regiment. Dozens of the miners were killed, and many prisoners were tried for high treason and, though the orderly population did not countenance their violence, there was universal sympathy with their grievances, which showed itself in general satisfaction when the prisoners were acquitted. The rebel leader, Peter Lalor, who lost an arm in the fight and was for some time a fugitive from justice with a price on his head, afterwards became Speaker of the Victorian Legislative Assembly.

With a population so constituted, and so lately on the verge of revolt against Great Britain, there were elements far more favourable than those in any other Colony for the adoption of a protective system designed to foster the national spirit and make Victoria industrially independent of Great Britain, when in 1864 the question came before a Legislative Assembly elected on a wide franchise.

The duties proposed were only of 10 per cent. *ad valorem* on the articles whose manufacture it was desired to encourage, and one of the reasons for proposing them was that the shallow alluvial mines, open to the labour of any man with a shovel or a pick, were beginning to give out, and the hope existed of providing work in factories for the displaced miners and their children. As already stated, several members of the Ministry which introduced Protection were convinced free traders, among them the Attorney-General, Mr. Higinbotham, who was then a fiercely democratic politician, though he afterwards became Chief Justice, in which capacity he refused to recede from his early contention that the Colonial Secretary was a foreigner, without the right in any circumstances to over-ride the advice given to a Colonial Governor by his Ministers. For these views he sacrificed the position of Acting Governor, which would otherwise have been his in the intervals between the different Governorships, and up to the time of his death, together with the respect of everybody, he retained the positive devotion of the most democratic portion of the community.

Thus was Protection made acceptable in its infancy by the circumstances of the time, the politics of the men who presented it, and the disposition of the electorate to which it was presented, while the politics of the men who opposed it only helped to make its adoption more certain. Those were stormy times in Victorian politics. The

popular Lower House was for years in constant conflict with the deeply unpopular Upper House, elected from a very small class with a high property qualification, by a small electorate in which property qualified for the franchise. The Upper House stood almost solidly for Free Trade, and most of the few opponents of the new duties in the Assembly belonged to the propertied class, and were, together with the Council, against payment of members and, above all, doggedly against the breaking up of large estates held by the "squatters," which was eagerly demanded by the great majority of the electors in order to settle farmers upon the land. Protection and more liberal land laws were carried at much the same time by much the same politicians, and incidentally the miserable failure of the former, and the success of the latter policy, may be exemplified here by the fact that between 1866 and 1873, 50,000 homes were created on the land, giving direct employment to at least 100,000 people, while the number of men and women employed in factories increased for the same period by only about 11,000. These naturally found a great part of their work in supplying the needs of the new agriculturists—many of them in unprotected industries—and therefore nothing in the figures shows the employment of a single extra man or woman through the medium of the tariff.

The circumstances under which Protection first gained a footing in Australia are of much greater importance than at first sight they might appear,

for the events of the time have coloured all Victoria's subsequent tariff history. Liberalism became indissolubly associated with Protection, and Conservatism with Free Trade, since the party which increased the duties in 1873 and again in 1877 was still struggling with the Upper House for complete control of finance, for free education, for manhood suffrage, and other democratic measures, thereby gaining the attachment of working men, not only to itself, but to the protective policy which it had championed. The Democratic and Protectionist hero of the 'seventies was Mr. (afterwards Sir Graham) Berry, who showed uncompromising hostility to the Legislative Council and a blind devotion to Protection. After a period of non-political life in England as the Colony's Agent-General he returned to Australia, and as Treasurer in a Ministry of 1892 carried the last and most disastrous increase of the Victorian tariff. In 1895 there came a reaction; duties were somewhat reduced—with excellent effect on all industries—and with the federation of the Colonies in 1901 came inter-colonial Free Trade and an Australian tariff with duties against the outside world much lower than those previously levied by Victoria.

CHAPTER II.

THE TARIFFS OF NEW SOUTH WALES.

IT is in Victoria and New South Wales that the tariff battles of Australia have really been fought, with the result that while the former remained steadily protectionist, the latter maintained, up to the date of federation, almost unfaltering allegiance to Free Trade. Later will be discussed some of the most striking results of the rival policies in the rival Colonies, and in New South Wales they were certainly such as to encourage no alteration of the fiscal policy. But, apart from the prosperity which free traders claimed to the credit of Free Trade, there was an almost entire absence in New South Wales of the political and social circumstances leading to the imposition of Protection in Victoria. Like the younger State, it had its quarrels with the Colonial Office, and joined, in the 'fifties, in the outcry against transportation, but there were interests eager to obtain a supply of cheap labour for working the land, and only a few years earlier petitions had gone from New South Wales to England against the discontinuance of transportation. Though in 1850 the alluvial mines of New South Wales caused a temporary rush to that Colony, the immensely superior richness of the Victorian fields almost immediately afterwards

drew away far more people than New South Wales had ~~gained~~. They were for the most part the eager, restless spirits who desired change, and joined the Democratic party in Victorian politics, while in the older Colony remained the more staid and settled elements, many of them attached to England by the traditions of civil or military office which they had held, and with families whom they brought up in the same spirit. Separation from the Old Country never became a familiar idea as it did in Victoria, and Wentworth, the greatest statesman of New South Wales, and practically the founder of its constitution, was so eager for the adoption of British precedent in all things, that he urged the creation of a Colonial peerage or baronetage, from which the New South Wales Upper House should be elected by members of their order, in the same manner as representatives are sent to the House of Lords by the Scotch and Irish peers. In this proposal he was defeated, but the Legislative Council, which in Victoria was made elective, was nominated by the Governor in New South Wales, and in the early history of the Colony the views and spirit of Wentworth were as powerful as those of Higinbotham and Berry in Victoria. Sir Henry Parkes also—in many things opposed to Wentworth, but nevertheless a fighting free trader—was one of the most powerful men in New South Wales, and his personal weight told against any change of tariff policy.

Jealousy of Victoria, which began a struggle for

separation from New South Wales in 1840 and attained success ten years later, was also operative in creating unwillingness on the part of the mother Colony to imitate its young and ambitious rival. In matters other than political this spirit showed itself—even in the realm of sport. Victorian football, differing considerably from the game as played in England, has never been adopted in New South Wales. In South Australia no other game is known, and South Australia followed the footsteps of Victoria more closely than any other Colony in the development of its tariff. Again, Victoria and New South Wales refused to adopt the same railway gauge. South Australia, for its main line, has chosen that of Victoria, which is somewhat wider than the standard gauge of England and most European countries. These things, small as they are, help to show that the varying fiscal complexions of the different Australian Colonies have been accompanied by differences of many kinds, and that the tariffs are the result of other causes than a reasoned judgment as to their effect on the production and distribution of wealth.

In the year 1864 a slight tincture of protectionism was given to the New South Wales tariff, but it was soon removed, and up to 1892 customs duties were levied for revenue purposes only. Then Sir George Dibbs, defeating Sir Henry Parkes, introduced a mild protective tariff, containing a number of ten per cent. duties, and carried it through both Houses. Australia was suffering from reaction

after the "land boom." Wages were low, employment was scarce, business was depressed, and the people were in the mood for experiment of any kind which might put an end to the existing state of affairs. As far as can be gathered from statistics the Dibbs duties had no effect whatever in improving matters, and did some little harm, but they lasted too short a time for powerful vested interests to grow up under them and clamour for more Protection, as had been the case in Victoria where the first spoon-feeding of local factories was on a similarly modest scale. In 1894 Mr. Reid, now leader of the Federal Opposition, came into power and swept away the Dibbs protective duties. Not only did he sweep them away, but the tariff which he introduced was the simplest and least extensive ever known in New South Wales or any other country. The revenue duties of the former Free Trade period were almost all abolished, and under the new tariff scarcely more than a dozen articles of any kind were taxable. Immediately there was an improvement in the condition of New South Wales—an improvement continued in spite of years of disastrous drought right up to the time when New South Wales surrendered her Free Trade position to help constitute the Australian Commonwealth, wherein all that her free traders could do was to effect great modifications in the tariff proposed by the Government.

As the introduction of Protection in Victoria had been a triumph of the Democratic party in

that Colony, so was the re-introduction and the extension of Free Trade a democratic triumph in New South Wales. With the abolition of duties, Mr. Reid allied the introduction of direct taxation of land values and of incomes, thereby securing enthusiastic support for his whole policy from the working men and advanced Liberals of every class, and incurring the bitter hostility of those who stood for Conservatism and special privileges for land and wealth. Thus all those protectionists who may have supported Protection from a sincere belief that it would benefit their country were flung into the arms of reactionaries and Conservatives, with the result that any chance they might have had of persuading the people to retain Protection on its merits was absolutely destroyed. All the Australian Colonies are in essence democratic, and the alliance forced upon the protectionists of New South Wales damned their cause just as effectually as a similar alliance had been fatal to the hopes of Victorian free traders. The tremendous strength of these associations in moulding fiscal opinion is shown in the composition of the Labour party, which entered the recently elected Parliament with a larger following than either Government or Opposition in the Federal Senate, and had 24 members in the House of Representatives, against 25 claimed by the Government, and 26 by the Opposition. The Labour men of New South Wales are free traders, because, in their own State, Free Trade has been

recognised as the Liberal policy ; the Labour men of Victoria are protectionists, because the Protectionist party did more for them than the Free Trade party, when such existed, in advancing the views which they held. The Labour representatives from Western Australia, numbering 10 out of a delegation of 11, are mostly free traders, for though Western Australia has been largely peopled by Victorian protectionists, in their new country they found the occupation of mining which they followed had everything to gain from Free Trade, while on all other questions they were opposed to a most oppressive and Conservative protectionist Government. The result of these differences in the Labour party was that its members sank the fiscal question altogether, and were ready to give their votes solidly for the Protectionist Government or the Free Trade Opposition, according as one or the other offered them more in return.

The overthrow of the late Government by the Labour party has removed the tariff issue for the time being from Australian politics, and there is little likelihood of a move towards Free Trade or increased Protection while the Labour leader, Mr. Watson, remains in power. Should his Government be soon defeated, as is very probable, the tariff question must come up again, and it seems that protectionists will bid higher than free traders for the Labour party's support. The late Prime Minister, Mr. Deakin, who is a strong protectionist, has considerable sympathy with Labour views, while

Mr. C. C. Kingston, of South Australia, one of the strongest men in Australian politics, though not in Mr. Deakin's Government, was the Minister of Customs who introduced the present protectionist tariff, fighting strenuously against every modification of it, and Mr. Kingston, more than any other politician, has the confidence and support of the Australian democracy. In the Free Trade ranks are a number of revenue tariff men, frank Conservatives, opposed to direct taxation, and hostile on many points to the Labour party, while the Opposition leader, Mr. Reid, though he has carried more Liberal measures than any of the other men who have been at the head of State Governments, made himself unpopular with the working men outside New South Wales by his hesitation to support a federal union under which he saw that his own State must sacrifice its Free Trade policy. Mr. Reid is further weakened by the fact that his following, which is equal to that of the protectionists in the House of Representatives, includes half-a-dozen "fiscal peace" men—that is, members who, though free traders, have pledged themselves to vote against any alteration of the existing tariff before the next general election. On proposals for an increase they will vote with their party, but on proposals for reductions will support the Government. In a later chapter the question of the tariff outlook will be further dealt with, but at present it is desirable to say something of Protection in the other Australian States before the institution of the Commonwealth.

CHAPTER III.

OTHER AUSTRALIAN TARIFFS.

IN 1859, after all the Australian Colonies, with the exception of Western Australia, had been granted responsible government, there were no import duties in South Australia, Queensland, or Tasmania, while Western Australia had duties of about 7 per cent. *ad valorem*, which were increased to 10 per cent. by 1879, while in the same twenty years the other Colonies had all developed considerable tariffs. In Tasmania, where scarcely anything imported was on the free list, there were nevertheless no manufactures worth speaking of, and the duties, though high enough to be protective in a larger community, were in effect merely revenue-producing, and had the support of Free Trade Governments. South Australia deliberately adopted the policy of Protection, being considerably affected by the example of Victoria, and further stung to retaliation by the Victorian border duties, which taxed South Australian products. The Labour party of South Australia was, as in Victoria, generally protectionist. Some protected manufactures grew up, and there arose vested interests amongst the manufacturers, who feared the loss of high prices, while the workmen, rightly or wrongly,

feared the loss of employment, with the result that in 1882 the duties were considerably increased, and as a consequence it is claimed by South Australian protectionists that the manufacturing industries employed more work-people. If this were a fact, there would still remain to be set off against it the injury done to the agricultural and pastoral interests, and to the great body of consumers by increased prices, but there is no evidence to connect any extra employment given in factories with higher protective duties. In 1900 South Australia employed in manufactures only 17,659 men and women out of a total of 360,000, and of these only 8,454 were engaged in manufacturing products which came into competition with imported goods. On the other hand, 9,164 were employed in domestic industries treating perishable products for domestic use and in industries dependent upon the natural resources of the country. The latter class of industry employed 8,158 male and only 261 female workers, while the manufactures which may have been fostered by Protection employed only 5,887 males and 2,577 females.

In South Australia Protection has had a similar effect to that experienced in Victoria, of driving women into factories, because Protection encouraged industries dependent on cheap labour, and further because, by making the people generally poorer, it obliged a greater number of women to earn their own living. In New South Wales, under Free Trade, in the year 1900 16 per cent. of all the

operatives employed in factories were female; in Victoria, under Protection, females constituted 28 per cent. of the total, and in South Australia, also under Protection, 16 per cent. In the industries capable of Protection—that is, those whose products competed with imported goods—the percentage of females was, for New South Wales, nearly 22 per cent.; for Victoria, nearly 32 per cent.; and for South Australia, over 30 per cent. From these figures the conclusion is fairly deducible that Protection in the Australian Colonies, if it has promoted manufacturing industries at all, has promoted those in which the highest percentage of cheap female labour is employed; and further, since the percentage of cheap female labour is lower in New South Wales for even this class of industry than in any of the protected Colonies, it appears that here as well as elsewhere Protection encourages the displacement of male workers by female.

In South Australia, where between the years 1892 and 1900 there was the increase in the number of factory operatives from 11,489 to 17,659, which protectionists claim as the result of their policy, it is worthy of notice that the chief increase has been in the manufactures which are not helped by Protection, but which are more or less hampered by it, namely, those dependent upon the natural products of the country. The manufacturing industry, which employs most men in South Australia, is not, indeed, dependent upon the

natural products of South Australia itself, but on those of New South Wales, about 2,500 men being engaged in smelting the silver-lead ore from the Broken Hill mines, which, though situated in New South Wales, trade with the nearest South Australian ports, and not with those of the State to which they belong.

Queensland, before federation came, also ranked among the protectionist Colonies, and had considerable duties. The tariff issue, however, was never so acute there as in New South Wales, Victoria, or South Australia, and most of the duties were in effect rather revenue-producing than protective, with the exception of that on sugar. There was little opposition from any class in Queensland to this product being heavily protected to counteract the bounties on beet sugar from Europe. Against it the duties were practically prohibitive, and against cane sugar from other countries Queensland required no protection, being itself a large exporter of sugar to the remainder of Australia. Since the production exceeded the supply, Queenslanders were able to purchase cheap sugar, and even had the price been much higher, all classes would probably have willingly allowed the capitalist plantation-owners full protection against any possible competition in the home market, in order to prevent them from raising a new excuse for the employment of imported "Kanaka" labour from the South Sea Islands. This coloured labour has always been

hateful to the working men of Queensland, and the deportation of all Kanakas within a term of years was insisted upon by the first Commonwealth Parliament, an inducement to the employment of white men in the cane fields being given in the meantime by charging a higher rate of excise duty on the sugar grown by Kanaka labour. There were in 1900 about 9,000 Kanaka labourers on Queensland cane fields, and the Act of 1901 provides that while more may be imported in limited numbers up to March 31st, 1904, after that date none may enter Australia, while any South Sea Islander found in the country after December 31st, 1906, will be deported. The import duty on imported cane sugar was fixed at £6 per ton, the excise at £3 per ton on sugar grown by black labour, and £1 on that grown by whites. Another tariff experiment made by Queensland was the granting of liberal export bounties on home-grown cotton, and between 1867 and 1874 over ten million pounds weight of raw cotton was exported; but prices fell heavily as American production increased again after the Civil War, and, the bounties being discontinued, the growth of cotton in Queensland has practically died out.

In Queensland, more than in any other colony of Australia, manufacturing industry depends upon natural resources, and derived more hindrance than help from the protective system in force before federation. In 1901 sugar refining and meat preserving accounted for £3,400,000 worth, or nearly

40 per cent. of the total manufactured output. Meat preserving was in no way encouraged by Protection ; the price of sugar was little, if at all, affected by the Queensland duties, though now that the whole of Australia is a protected market for growers in the northern State, and one which at present they cannot wholly supply, they will no doubt derive some advantage from the higher prices occasioned by Protection, to the great injury of the fruit preserving and jam making industries throughout the Commonwealth.

Between 1892, the first year in which statistics were systematically collected, and 1901, the workers employed in Queensland factories have increased from 13,369 to 27,123, an increase of over 100 per cent. The majority of them, however, are employed in industries manufacturing goods for immediate consumption or dependent on the natural resources of the country, these numbering 14,600, as against 12,500 making products with which imported goods compete. Among the latter there are thousands, such as makers of clothing and textile fabrics, boots and shoes, agricultural implements, aerated waters, vehicles, saddlery and harness, and furniture and bedding, who would undoubtedly find work without Protection, and as these number over ten thousand, the remainder, who might conceivably owe their employment to the tariff, is necessarily very small.

Owing to the number of men in such industries as the treatment of sugar, which employs over 3,000 ; meat preserving, which employs 1,700 ; the saw

mills, which employ nearly 3,000; and metal and machinery works, which employ 4,700, the proportion of female workers in Queensland factories is very low—only a little over 13 per cent. This is a lower percentage than that of even New South Wales, and is beaten only by Western Australia, where females number less than 10 per cent. of the total workers employed in manufacturing. This would seem to tell against the claim that Protection fosters female labour, since both Queensland and Western Australia had protective tariffs, though much lower ones than that of Victoria; but it must be remembered that these are the two newly-developing States of the Commonwealth, both principally occupied in exploiting their mines, their timber resources, and their lands, and that both consequently have a considerable excess of males in their population. In 1901 Queensland had 276,000 males to 220,000 females, and Western Australia 113,000 males to 71,000 females. Under these circumstances, seeing that the principal manufactures are those dealing with the natural products of the country, they must employ a large proportion of men under any fiscal system.

Western Australia, which did not receive a full measure of responsible government until 1890, had even in its Crown Colony days a number of duties which gave protection to pastoral, agricultural, and mining products, and under the *régime* of Sir John Forrest, who held the Premiership from that time until he became a member of the first Commonwealth

Government, these duties were considerably increased. In 1890 the population of the colony was only about 50,000; by 1901 it had increased to nearly 200,000, the quadrupling of population being due to the discovery of immensely rich mines, which attracted immigrants from every part of the world. Then the heavily-protected graziers, farmers, and fruit growers began to make fortunes at the expense of the mining population, which created most of the wealth of the country, and a very strong Free Trade tendency manifested itself on the goldfields. This was the more remarkable because a large proportion of the goldfields people had come from Victoria, where most of them had been strong protectionists. In 1901 the census showed 40,000 of the Western Australian population to be of Victorian birth, and it is worth notice that this large number of emigrants had left protected Victoria in search of better conditions, while only 14,000 had come to Western Australia from Free Trade New South Wales. The other highly-protected State, South Australia, from its small population of 362,000 had sent 16,000 to swell that of Western Australia, a number about equal proportionately to population to the Victorian contingent, and more than four times as great as the contingent from New South Wales. In their new home these 54,000 Victorians and South Australians were for the most part converted into enthusiastic free traders by the exactions which a narrow protectionist policy imposed upon them, in the shape of exorbitant

prices for tools of trade, clothes, food, and all other necessities of life. The result was seen when Western Australia sent eleven members to the first Commonwealth Parliament, for all of them, with the exception of Sir John Forrest, were free traders.

In the case of the West Australian miners—locally known as “t’othersiders,” because they came from the other side of the world, or the continent—in addition to high prices, there were political factors similar to those which coloured the fiscal policy of New South Wales and Victoria, in determining their adherence to Free Trade. The Forrest Government was an anti-democratic and despotic Government, treating the “t’othersiders” in much the same fashion as President Kruger dealt with the Uitlanders. The miners complained in vain of various monopolies. As long as it was possible they were denied the franchise; when given to them, it was rendered to a large extent nugatory by a distribution of seats which gave the same representation to mere handfuls of people on the coast as to thousands on the goldfields.

The Conservative Western Australian Government took a further amusing step in its desperate endeavours to minimise the influence of the “t’othersiders.” This was the bestowal of the franchise upon women—a radical measure which seemed good to Sir John Forrest, because the majority of the miners were bachelors, or men who had left their wives and families at home when they went to seek their fortunes. Finally a determined effort

was made by the minority in power to prevent Western Australia joining the Australian Commonwealth, then on the point of coming into existence. Feeling was raised to such a dangerous pitch on the goldfields, and the agitation for the separation of the mining area from the rest of the colony became so threatening, that finally Sir John Forrest gave way, and Western Australia entered the Commonwealth. One of the conditions upon which it did so was that, for the first five years after the imposition of a uniform tariff on goods entering Australia from abroad, Western Australia should be empowered to impose duties on goods the produce of the other States.

These duties were claimed by Western Australia as necessary to her solvency, because such a large part of her revenues was raised from the customs, though, of course, it is obvious that since West Australians paid the duties it would have been possible to raise just the same amount as they provided by some form of direct taxation.

In order to gain its adherence to the Commonwealth, the rest of Australia reluctantly consented to allow the Western State to thus tax Australian goods, but only on the condition that the duties in the first year should not exceed those of the West Australian tariff, and that they should be reduced each year by instalments until their abolition at the end of 1906, and ultimately this condition was agreed to. Thus the Conservative protectionist party in Western Australia obtained some crumbs

of comfort in the permission to tax the bulk of the population on the food and goods which they bought from the rest of the Commonwealth for a few years after their State had become a component part of it ; but when the Commonwealth elections came the bulk of them joined with the goldfields population in electing Free Trade representatives. There had never been any national ideal to condone the mistakes of West Australian Protection. It exemplified as narrow, grasping, and cynically selfish an application of the policy as could be well imagined. A few graziers and farmers who did not produce enough food for the country's consumption, and the manufacturers of some local goods, clung tenaciously to a protective tariff for their own colony because it enabled them to grow rich by charging exorbitant prices to the miners. There was no pretence of the belief, which, extraordinary as it may appear, is honestly held by many protectionists of Victoria and South Australia, that Protection, while encouraging local industry, tends to make goods cheaper. The West Australians frankly demanded a tariff to make them dearer, and succeeded in retaining its advantages in a modified form for some years as regarded food and manufactured goods coming from the Eastern States. Of these States they were intensely jealous : they had no national ideal of a United Australia ; union had been forced upon them by the recent immigrants, who greatly out-numbered the native-born population ; and if there was one thing they disliked

more than another it was the prospect of inter-State Free Trade.

It is true Free Trade between the States was to be accompanied by Protection against the rest of the world, but since Australia raised pastoral and agricultural products far in excess of requirements for home consumption, Protection against the outside world could not help the West Australian pastoralist or agriculturist to higher prices. In manufacturing, also, the more developed Eastern States were far in advance of West Australia, and the West Australian people saw that, while Protection against the outside world might give monopoly profits to some Australian manufacturers, but a small share of them would be reaped by the manufacturers of their own State. They feared that within the protected area the competition of Victoria and New South Wales would be too strong for any West Australian industry which depended for its prosperity on Protection.

The question, then, which presented itself to the protectionist electors of Western Australia was as follows: Is it better to assist in making a high tariff for Australia which will almost certainly raise prices against us for the benefit of Eastern manufacturers, or to fight for a low tariff which will enable us to buy all we need at a moderate price? Since all chance of local producers or manufacturers being able to fleece the people would vanish with the abolition of the special tariff in 1906, West Australians decided that it would be better they

should not be fleeced at all, and thus it came about that they elected men pledged to support a Free Trade policy for Australia. At the second election in 1903, when the miners and new colonists had obtained greater political power, the West Australian representatives chosen were, with the exception of Sir John Forrest, all Labour members. Among them are some protectionists, but the Labour party does not rank the fiscal question as of prime importance, and the protectionist members of it support that policy more for national and political than for economic reasons. The protectionist Labour men from Western Australia are not influenced by any desire to promote capitalistic interests in that State or elsewhere, but are imbued with a strong Australian sentiment, and have persuaded themselves that a protective policy will make for the welfare of Australian labour generally. The facts, as free traders read them, are all against this belief; but there is nevertheless the greatest possible difference in aim and intention between the old provincial protectionism of Western Australia and the new national protectionism of some of its Labour members in the Commonwealth.

The recent fiscal history of Western Australia has been discussed at some length because of the interesting light it throws upon the motives which may influence a State in adopting Protection or Free Trade. As to the effect which Protection has had upon industry in the West, there can be not the slightest doubt that it has been absolutely and

entirely bad, though no fiscal policy could prevent the natural growth of some manufactures, nor do more than slightly check the progress of a country which teems with gold. In 1888, before the Coolgardie discoveries, the yield was worth £13,273, and in 1901 its value was nearly eight millions. In the meantime the population had increased by about 150,000; every industry was stimulated by the increasing gold output, and some attention was further devoted to the great resources of the forest and the soil in an area of nearly a million square miles. These facts need emphasis in any discussion of the effects of fiscal policy in Australia as showing that, though Western Australia has a better record than even New South Wales in several of the matters by which one may endeavour to gauge the comparative prosperity of different communities, it would be quite absurd to ascribe advantages on one side or the other to the adoption of a particular fiscal policy. Between the older and the newer States there is not sufficient similarity of conditions for useful comparison, though, as will be shown later, great similarity of conditions is accompanied by striking differences in the case of fairly comparable communities such as Victoria and New South Wales. The workers employed in manufacture in Western Australia numbered in 1901 11,300, only 1,062 of them women, these numbers constituting a higher proportion of the total population, and showing a smaller proportion of female to male workers, than in any other

Australian State. The reasons for the high percentage of men employed have already been dealt with, and examination of the industries in which they are employed shows how little their employment is concerned with Protection. Saw mills, for instance, exploiting the magnificent forests of valuable timber, employ 3,700 men. Workshops belonging to the Government railways, which are being rapidly extended, employ 950 men, chiefly engaged in repairing rolling stock. The making of food and drink—principally aerated waters and beer—gives work to 1,000; printing occupies 878; the clothing and dressmaking trades, 1,100; in brickmaking, 370 men are engaged; and in iron-working, 1,100. In all, over 9,000 of the total manufacturing population were employed in the foregoing industries, and though some few of their products may have been affected by the protective tariff, it is clear that most of them would in any case have been manufactured on the spot to suit the local needs of a busy and increasing people. Against anything the manufacturers may have gained in increased prices must be set off the increased price of machinery, raw material, and the food of the workers employed, as well as the lessened demand resulting from all the tariff burdens heaped upon their customers. That farmers, graziers, dairymen, and orchardists were enriched by the taxation of their fellow-citizens there is no reason to doubt, except in those cases where the profit went into

the hands of the landowner, who sold his property at enhanced prices to agriculturists, anxious to reap a share of the spoil. During the last ten years there has been a very considerable increase in agricultural production, which was valued at £381,000 in 1891 and £861,000 in 1901; but in the latter year agricultural produce was worth only 275 per cent. of the total production of the country, and Western Australia raised less than one million bushels of wheat, or not enough for her own needs. The value of £861,000 given above would have been much less but for the high prices resulting from Protection. Western Australia was forced also to import potatoes, oats, hay, barley, fruit, butter, cheese, ham and bacon, to supply deficiencies in home production, and therefore in all these things protective duties, which were inoperative in Victoria owing to a supply in excess of local needs, fell with their full weight upon the West Australian miners, who were forced by them to pay tribute to the agriculturists. By the end of 1906, when the special tariff of Western Australia will disappear, the deficiency of local production, if any, will be supplied by the other States free of all duty.

CHAPTER IV.

PROTECTION IN NEW ZEALAND.

NEW ZEALAND, which is always looked upon as one of the Australian Colonies, though it has not joined the Commonwealth and is a thousand miles distant from the nearest Australian port, has lately made great progress under a protective policy, but even the most enthusiastic protectionist would be puzzled to connect the prosperity with the Protection. With an area of 104,000 square miles New Zealand has a population of about 800,000, and is, next to New South Wales and Victoria, the most populous Colony of the Australasian group. It is also by far the most fertile, its wheat yield averaging in 1901 24·8 bushels per acre against averages of 6·9 bushels in Victoria, 10·6 bushels in New South Wales and 4·6 bushels in South Australia. Its pastures also are unequalled on the Australian continent; it has immense resources in gold, coal and timber; its rainfall is more abundant and its climate is better than that of Australia, and therefore no elements of prosperity are wanting.

The Governments of the last fifteen years have, further, done their best to induce the development of the country by legislation devoted to that special purpose. Large estates have been purchased and

cut up for sale to small proprietors, while land speculation and the holding of unused, or half used, land are strongly discouraged by a tax of one penny in the pound on the capital value of land, exempting all improvements from taxation. The man who has cleared, built upon, cultivated or otherwise improved a piece of land worth £1,000, and thereby raised his property to a value of £2,000, pays no more than his neighbour who owns land also worth £1,000 which is unused or not used to the best advantage. In most of the municipalities local rates are also levied upon land values only, exempting improvements, with the result that no one can afford to keep valuable land unproductive.

It is since the introduction of these and other so-called Socialistic measures in 1891 that the primary industries of New Zealand have been enormously developed, and with them the output of the factories has also increased. The total wealth production of New Zealand, which was £33 9s. 8d. per head in 1881, increased to £34 3s. 1d. in 1891, and to £36 10s. 4d. in 1901, though in the meantime prices had been on the whole steadily falling. Since 1881 there have been additions to the tariff, making it more protective, but it is much less onerous to the natural industries and to the mass of the people, than the former tariff of Victoria, or even the present tariff of the Commonwealth.

Here it will be interesting to compare the amounts which certain classes of industry contributed to the

PROTECTION IN NEW ZEALAND. 115

total wealth production of New Zealand in 1901. The total is given in Coghlan's "Seven Colonies," the standard statistical work of Australasia, at £28,452,000, made up as follows:—

| Produced by | | | | £ |
|------------------------------------|-----|-----|-----|-----------|
| Agriculture | ... | ... | ... | 7,515,000 |
| Pastoral Industries | ... | ... | ... | 6,962,000 |
| Dairying, Poultry, and Bee Farming | | | | 3,008,000 |
| Mining Industries | ... | ... | ... | 2,956,000 |
| Forestry and Fisheries | ... | ... | ... | 1,081,000 |
| Manufactories | ... | ... | ... | 6,930,000 |

£28,452,000

The value of the wealth created in the factories is arrived at by subtracting from the value of the total output, £16,340,000, the value of the materials used, which amounted to £9,410,000. In producing the balance of £6,930,000 there were employed 48,500 workers, 38,000 of them male and 10,500 female, who received in wages £3,512,000. A large proportion of these people were employed in industries which could not be assisted by protective duties, since they consisted in treating natural products of the Colony, with which foreign goods had no chance in competition and the greater part of which was exported. Saw mills, for instance, employed 6,800 men; meat preserving and refrigerating, 2,600; tanneries and wool scouring, 2,600; butter and cheesemaking, 1,200; brick making, 500; flour mills, 500; and jam and biscuit making, 1,000. The largest protected industries were those producing clothing and textile fabrics, in which over 14,000 workers—5,600 men and 8,500 women—found

employment. Millinery and clothing manufacture accounted for 6,800 women and 1,200 men of this total, and though under a Free Trade system some garments made by them might have been imported, whether Protection or Free Trade prevails, other considerations will always cause most of the clothing of a country to be made at home. Ready-made garments in New Zealand are subjected to a duty of 25 per cent., the highest penalty of the New Zealand tariff being levied upon those who are guilty of having apparel made to order by British or foreign tailors or dressmakers. Such apparel imported into the Colony pays a duty of 40 per cent. The making of boots and shoes which are dutiable at $22\frac{1}{2}$ per cent. *ad valorem* employed 2,700 workers in 1901, while in New South Wales, where boots and shoes were admitted free, the same industry employed 4,000 workers—much the same number proportionately to population as in New Zealand. The most flourishing of all the protected manufactures of the island colony is undoubtedly that of textiles, the woollen mills of New Zealand turning out goods of high quality which sell largely in Australia and even finding a market in Victoria when locally made goods were protected there by a duty of 45 per cent. The duty in New Zealand is only 20 per cent., and the workers employed numbered 1,700, which is more than the number employed in all the woollen mills of the Commonwealth. Victoria in 1901 had 1,075 workers with duties ranging from 15 to 30 per cent. In 1895,

when the duties were 45 per cent., the workers employed were only 690.

These figures, together with the fact that New Zealand can compete with home and foreign goods in the protected markets of Australia, seem to show that it is to an abundance of the best raw material and to good business methods, and not to Protection, that New Zealand owes its success in woollen manufacturing. In Victoria the high duty prevented the constant endeavour to maintain a high standard of quality, and the constant replacement of obsolete machinery necessary to obtain it most effectively ; with the result, it is said, that Victorian mills have purchased machines from New Zealand factories, which required something better to keep abreast of the times. However this be, there certainly was no comparison between the efficiency and the prosperity of the New Zealand factories, protected by a duty of 20 per cent., and the Victorian factories, protected by a duty of 45 per cent. This being so, it is at least questionable whether the New Zealand woollen manufacturers would not have become more self-reliant, more efficient, and more prosperous still, if they had been forced to compete for the home market without any tariff help at all. Success in doing so would have carried with it success in opening up foreign markets much larger than those in which they now have a footing. Though protectionists will not admit that the industry could have been developed under Free Trade, they should at least see in the

experience of Victoria and New Zealand good reason for doubting the efficiency of high protective duties in fostering a natural industry.

In comparing the tariff of New Zealand with that of the Commonwealth it is seen that protectionists in the former country have been far more careful than the Australians to save the primary industries of the country from the burdens upon them which are more or less inevitable incidents of any protective system. Australia, for instance, taxes agricultural implements and machinery at 12½ per cent., and threatens to put a 10 per cent. duty upon reapers and binders as soon as the Minister of Customs certifies—to the sorrow of the agricultural population—that their manufacture has been “sufficiently established in the Commonwealth.” In New Zealand these things are free. Free also are portable engines, so necessary in many ways to the development of the land, all kinds of mining machinery, locomotives, rails for railways, grain bags and wool packs, reaper and binder twine, salt, roofing slates, and many kinds of chemicals and tools of different kinds which are dutiable in Australia. In New Zealand a chance is given, wherever possible, to the miner and the man on the land, whereas in Australia they have no consideration whatever. In both countries, it is true, there are so-called protective duties on wheat, butter, and other agricultural and pastoral products, but in normal years the production of these is far in excess of home requirements, and the

local price is fixed by the price which can be obtained for the exported surplus. The alleged protection to pastoral interests is therefore a mere farce, and, while the Australian miner gets nothing in return for duties upon mining machinery, all the duties upon agricultural produce do not compensate the agriculturist for one such burden as is imposed on him by the necessity of paying 5s. per cwt. duty on binder twine, which in New Zealand is admitted free. A good crop of oats requires about 5 lb. of twine to bind the sheaves from every acre; that is to say, a tax of nearly 3*d.* per acre is levied on the grower for the benefit of manufacturers who do not employ more than a few score of hands in twine making throughout the Commonwealth.

In its incidence upon the poorer classes generally the tariff of New Zealand is also lighter than that of the Commonwealth. The duty of 40 per cent. imposed upon the wealthier classes who order their clothing from abroad is typical of the spirit animating New Zealand protectionists, who are keenly desirous of giving local employment, and willing to make the rich pay heavily for such luxuries as foreign-cut coats or dresses. In New Zealand silks and gloves are taxed higher than in Australia, but, while the former country levies duty on the pioneer's tent, into New Zealand it comes free. Owing to a junction of forces between the Australian Labour party and a section of the Free Traders who opposed a revenue duty in order to force the Government to bring other duties down

from a prohibitive to a revenue producing level, tea is untaxed in Australia, whereas in New Zealand it pays 2*d.* per lb., but in the latter country raw coffee, which is taxed 3*d.* per lb. in Australia, is admitted free ; sugar pays 4*s.* 8*d.* per cwt. against 6*s.* on cane and 10*s.* on beet sugar in Australia ; biscuits 3*s.* per cwt., as against 1*d.* per lb. ; currants 1*d.* per lb., as against 2*d.* per lb.

Altogether, in fact, in New Zealand Protection is made as innocuous as an evil system may be, and what is taken away from the agriculturists with one hand, through raising the price of much that they must buy, is returned with the other by means of such concessions as the free railway carriage of artificial manures and of lime for dressing their lands. The result of this policy has been a remarkable development in the export trade of New Zealand and the maintenance of prosperity and wages at a level not approached in any of the protectionist Colonies of the Continent except Western Australia, where the gold discoveries reduced all other factors in hindering or promoting prosperity to comparative unimportance.

The exports of New Zealand, which were valued at £9,600,000 in 1891, and fell in the great year of depression, 1895, to £8,550,000, rose to £12,900,000 in 1901, and to £13,644,000 in 1902. Since the producing interests have always had special consideration in New Zealand, and these exports consist chiefly of food which would be preferentially treated under Mr. Chamberlain's scheme, New

Zealand protectionists would not show the same measure of hostility as is felt in Australia to an arrangement intended to increase the price of exported meat and wheat, and to admit British goods to freer competition with local manufactures. Nevertheless, Mr. Seddon has not yet made any proposal to do more than increase duties against the foreigner in return for British duties upon foreign food, and has thus once more emphasised the fact that the protectionist Colonies are no more willing to be beaten in their own markets by the competition of the Mother Country than by that of America or Germany.

CHAPTER V.

FACTORS IN VICTORIAN PROTECTION.

HAVING spoken generally of the conditions prevailing under Protection in the States of Australia and the Colony of New Zealand, it is now desirable to consider more fully the causes that have made the Commonwealth protectionist, and the effects that followed upon Protection in the pre-federation days, by following the history of the Victorian tariff a little further and entering into a more detailed comparison between Victoria and New South Wales.

It is in these two States, having between them more than two-thirds of the population of the Commonwealth, and more than two-thirds of the members of the House of Representatives, that the development of Australian tariff opinion can be really traced, and the effect of tariff policy approximately gauged.

In Victoria, as we have seen, the early tariff struggles of the 'sixties and 'seventies saw the Conservatives arrayed on the side of Free Trade—the Liberals and Radicals on the side of Protection. This division of parties, which arose more from extraneous causes than from anything inherent in rival views on the fiscal question itself, was

somewhat strange because in those days the now popular idea that Protection means protection for labour was scarcely formulated. The early advocates of duties spoke frankly of Protection for manufacturers. They were expected to employ labour, of course, but the main idea was to protect them against competition from wealthy manufacturers of the old world, rather than to protect the labourers of Victoria against the pauper labour of other countries. There perhaps seemed to be some political analogy with the state of affairs in England where manufacturers had fought the landowners to establish Free Trade; and, since English manufacturers then belonged to the Liberal party, Victorian manufacturers were deemed to be necessarily Liberals even when they were advocating Protection for their own pockets. But, however this be, from a variety of causes the protectionists were allowed to appropriate the term Liberalism, and to associate it so intimately with Protectionism that, up to the institution of the Commonwealth, five-sixths of the Victorian population used Protectionist and Liberal as synonymous terms. For a long time there has been no Australian party willing to ticket itself with the name "Conservative," every candidate for Parliament always claiming to be a Liberal; and it is thus easy to see what a potent aid to the protectionists was their successful usurpation of the title—a usurpation against which the free traders protested in vain. The result of all this was that no one who sought the suffrages of a popular constituency

ever considered the possibility of a return to Free Trade. Academically he might believe in it. There is reason to think that many of the foremost men in Victorian politics were at heart free traders, but they kept their opinions to themselves, and from time to time voted increases in the tariff. Protection was known as "the settled policy of the country," and at no meeting of working men would anyone rash enough to say a word against it even succeed in obtaining a hearing.

In Parliament from 1880 to 1900 there was no Free Trade party. A few free traders held seats, but most of them were in the Legislative Council, to which the property qualification demanded from both members and voters made money and not public confidence the passport, and they abundantly justified the popular belief that free traders were the enemies of the working man. In conjunction with the handful of free traders who sat for some exceptional constituencies in the Lower House, they consistently opposed all legislation, good or bad, which was designed to curb the power and privilege of wealth and benefit the masses. Socialism was their bugbear, and under this comprehensive name they included Factories Acts, land taxation, municipal enterprise, abolition of plural voting, State purchase of land for subdivision, old age pensions, State loans to farmers, and a host of other measures which eventually found their way upon the statute book. This, of course, maintained and intensified the dislike of

working men for free traders, and their suspicion of anyone even leaning towards Free Trade. It was not until after 1892, when very bad times followed upon the bursting of the land boom and the mad heights to which the tariff had just been raised by Sir Graham Berry, that one or two Liberal free traders found seats in Parliament, and in the country generally there came a reaction which led to considerable reductions in 1895. From that time free traders were at least listened to on the platform; and the fact that the "Free Trade Democratic Association," at the head of which was a powerful writer and speaker, Mr. Max Hirsch, known throughout Australia as a fierce opponent of monopoly in every form, included land value taxation as well as Free Trade in its scheme of reform, did a great deal to dissipate the notion that Conservatism and Free Trade were naturally allied. Before the federal elections, Mr. Reid and other democratic Free Trade politicians from the neighbouring States addressed large enthusiastic meetings in Victoria, and though the protectionists obtained an overwhelming majority when the elections came, the spell of their policy was broken. They were thrown upon the defensive, and it was only by the lavish expenditure of money and desperately hard fighting that they secured their victory. That was in the beginning of 1901, and in 1902 a protectionist tariff was passed, but in the teeth of solid Victorian opposition duty after duty proposed by the Commonwealth Ministry was reduced till

the Federal tariff was only a shadow of what the Victorian had been. In 1903 the second Commonwealth election showed that Protection was growing weaker in Victoria itself, its supporters losing some seats to the direct Free Trade Opposition, and some to the Labour party, which, as a party, supports neither Protection nor Free Trade.

In future no protectionist will be swept into Parliament with a triumphant majority by calling himself a Liberal, and howling "Tory!" at his opponent. The old gag has lost its virtue, and the man who seeks the votes of the masses needs something more than his fiscal colour to win them.

Perhaps one of the most significant incidents of the last Federal election, in its bearing upon the future of the Australian tariff, was a meeting of the Trades Hall Council in Melbourne to celebrate the success of the Labour party, at which meeting the following words were used by the chairman, Mr. Findley, a Labour candidate just elected to the Commonwealth Senate:—

"The Labour Party," said Mr. Findley, "had the opposition of the *Argus* and the *Age*. The latter journal had descended to depths of scurrility of which any other journal in the world would be ashamed. The *Argus* was fair. It fought fairly for its nominees, and it told the people exactly what the nominees were in search of. The *Age*, on the other hand, did not know what course to pursue. They knew what *Age* Liberalism was now."

The significance of these remarks, which were

enthusiastically cheered, lies in the fact that ever since the introduction of Victorian Protection, the *Age*, the most powerful newspaper in Australia, had supported it strenuously, cleverly, and not too punctiliously, and, as the alleged champion of Liberalism, had had the blind support of the Labour party. Its power in Victoria was so great that, before entering upon any policy, protectionist Premiers were accustomed to consult the proprietor, Mr. David Syme, and seek his approval. If he did not give it the policy was changed. Mr. Syme was familiarly known throughout the Colony as "King David." When ten members were to be elected by Victoria to a Convention charged with framing an Australian Federal constitution, the *Age* nominated ten delegates. Working men voters in thousands cut the *Age* list out of the paper, carried it with them to the polling booths, and the *Age* nominees were elected *en masse*.

Then Mr. Syme reached the summit of his power, and, presuming too much upon its permanence, he rashly quarrelled with the Labour party, who gave it to him, opposed their candidates at the last Federal elections, and attacked, personally and politically, Mr. Trenwith, a leading Victorian protectionist, formerly leader of the Labour party. Mr. Trenwith was returned for the Senate at the head of the poll, the whole State voting as one electorate. Then followed the remarks of the other Labour senator above quoted. The power of the *Age*, though still great, has received

a heavy blow, and will not count for a tithe of what it did in Victorian politics, and it was the power of the *Age* which made Protection invincible.

Strong as was Mr. Findley's criticism, it but faintly expressed the feelings of nearly all honest men who formed a deliberate judgment of *Age* methods, which the Labour party, as long as it was their faithful ally, never troubled to do. Every enemy, political or personal, of David Syme was marked down for constant and acrimonious attack in the paper's columns, and as the *Age* had a vastly greater circulation than any publication in which it was possible to reply, this persecution was at times successful in hounding David Syme's enemies out of public life.

Causes were treated in the same manner as individuals. For many years the statistics of New South Wales under Free Trade, and of Victoria under Protection, showed that the former Colony was much more prosperous than the latter. The *Age* published ingeniously distorted versions of official statistics. It habitually garbled the speeches of political opponents and wrongly described the reception which they met with. An amusing and characteristic incident occurred in this connection, when a candidate whom the *Age* was writing down was innocently reported by a country correspondent to have had a good attendance at one of his meetings. By some oversight

this truthful statement was not sub-edited, and the mistake was only discovered when the paper had gone to press and early copies were printed. Of course it had to be rectified. The machines were stopped and the word "good" was erased from the type, so that in later editions it appeared "Mr. Hamilton had a meeting." Readers could supply the missing word as they chose, and there was little fear that those who followed the *Age's* general account of Mr. Hamilton's candidature would fail to read some such adjective as "bad" or "poor" into the blank space.

On another occasion a farmer wrote a letter to the editor of the *Leader*, a weekly paper issuing from the office of the *Age* and under the same proprietorship. It was a letter which the editor would have been justified in refusing, as it used rather violent language towards protectionists, by whom, among other things, the writer said he had been gulled long enough. He was now a free trader. The editor, however, published the letter, after making the correspondent say that he had been gulled long enough by the free traders, and effecting consequential alterations by which the whole of the arraignment of Protection was converted into an arraignment of Free Trade.

The *Age* is even daring enough to alter the English cables which it receives in precisely the same words as the other Australian papers whose proprietors share the expense of a common service. On more than one occasion the sense of telegrams

distasteful to protectionists has been entirely altered in the *Age's* Melbourne office, not only by omissions, but by long imaginative additions to them.

It may appear that undue space has been given to these examples—which could be multiplied to any extent—of a newspaper's tactics, but such was the power of the *Age*, and so relentlessly was it employed, that no account of Australian Protection would be complete which did not lay much stress upon the part it played. Unless the *Age* had for many years deliberately concealed and falsified facts concerning the Colony's position, while enjoying a circulation and influence that made it the only authority among the masses, it is almost inconceivable that Victoria would have burdened herself with such a tariff, and would have striven to impose it upon the rest of Australia, when her prosperity was waning, and her people emigrating, while, across the border, in Free Trade New South Wales, there was steady increase in wealth and population.

All through the tariff fight the free traders had had the more or less active support of the *Argus*, the other Melbourne newspaper, but its circulation for many years did not approach that of the *Age*. It has not been conducted with anything like the same vigour or ability, and being regarded as the organ of wealth and Conservatism, it was so much suspected and disliked by working men that *Argus* support of a measure or a cause did more to damn it than to recommend it to the country. In 1855, when

one of the Eureka Stockade rebels was tried for high treason and acquitted, the *Age* reported that the crowd outside the court gave "groans for the *Argus*," while "a scream of uproarious cheering was raised for the *Age*." The *Age* had bitterly attacked an unpopular Government hated by the miners, and had clamorously urged an amnesty for the many prisoners captured at Ballarat fighting against the soldiers and police. The *Argus*, while sympathising with the miners' grievances, had supported authority. Mr. Rusden, the Australian historian, says that the *Age's* attitude was the result of the proprietor's anger at the refusal on the part of the Government to give his paper certain advertisements, but the excited crowd could not be expected to know or weigh the sordid reasons that made the *Age* their friend. It bid for their support and got it. "Groans for the *Argus*" and "screams of uproarious cheering for the *Age*," exemplified the feeling of the people for many years, and it is only now that the *Age* is beginning to be found out. Its popularity and its clever and persistent misrepresentations and the *Argus'* unpopularity and its wavering and ineffective maintenance of truth have been perhaps the greatest of all factors in fastening a high protective tariff upon Victoria, and creating a majority of protectionists there sufficiently strong to out-vote the Free Trade majority of other States, and frame a modified protectionist tariff for the Commonwealth.

CHAPTER VI.

COMPARISON BETWEEN VICTORIA AND
NEW SOUTH WALES.

IT is not possible to discuss here in detail the figures showing the development of all the Australian Colonies under varying tariff systems, and for reasons already given no necessary connection can be maintained in most of them between their methods of customs taxation and their waxing or waning prosperity. That their tariff laws had effects, and important ones, is certain, but other factors have been so much more powerful that these effects cannot be isolated. Therefore, in the endeavour to show a relation between fiscal policy and prosperity in Australia, special attention will here be given to facts concerning New South Wales and Victoria, which, for a variety of reasons, offer a field for comparison probably unique.

In 1871, when such additions were made to the Victorian tariff that protectionists complacently declared their policy became effective, Victoria had the lead of the older Colony in almost everything denoting progress. From 1871, Victoria continuously raising the tariff wall, and New South Wales

remaining practically constant to Free Trade, the older Colony began to draw away from the younger one, while the younger lost absolutely as well as comparatively much of the prosperity she had gained. In 1871 the population of Victoria was 752,000; of New South Wales, 519,000. Victoria had exports and imports valued at £14,558,000 and £12,342,000 respectively. The corresponding figures for New South Wales were only £7,785,000 and £8,981,000.

Wages in Victoria exceeded those of New South Wales, and Victorian factories employed 19,500 workers as against 13,500 employed in the older Colony. Earlier still, in 1866, before the effects of the first Victorian tariff were operative for good or evil, official returns gave 10,100 workers employed in Victorian factories, and the statist declared that they were incomplete. No reliable figures in the same year are available for New South Wales, but the fact that Victoria exported £166,000 worth of manufactured goods, and New South Wales only £85,000 worth, shows that, when both Colonies pursued a Free Trade policy, Victoria took the lead in manufacturing. It is interesting to note that in 1871 the principal manufacturing concerns of New South Wales were tobacco factories, sugar mills, tanneries, brick works, saw mills, iron foundries, and engineering establishments, clothing factories, flour mills, and coachbuilding establishments. In Victoria breweries and boot factories occupied the important place of sugar mills and tobacco factories

in New South Wales. Otherwise there was little difference in the class of employment given by manufactures in the two Colonies.

In 1871 Victoria had the advantage in the particulars noted above and many others. Thirty years later, in 1901, in every one of these respects New South Wales was ahead of Victoria. Its population was greater, so also was its marriage rate and birth rate. Immigrants to the country exceeded emigrants, while in Victoria emigrants outnumbered immigrants. Factories employed more men in New South Wales, though Victoria had more women workers. The capital invested, the horse power employed, the value of the output, and the wages paid in New South Wales factories all exceeded those of Victoria. While wages were higher in New South Wales, prices were lower; the consumption per head of all staple articles was greater; the income per head of the people was greater; the public and municipal debt per head was less; the exports and imports per head were much greater; deposits in savings banks per head were greater; Sydney was more populous than Melbourne, and its shipping trade far outdistanced that of the rival port. In fact, judged by almost every conceivable test of prosperity and progress, public or private, the Free Trade Colony was far ahead of the protectionist Colony when federation gave them a common fiscal policy.

It may, perhaps, be too much to claim that the whole of this change in their relative positions was

due to the strangling of Victorian enterprise by Protection, and yet when one seeks for the causes that brought it about, and considers the proven bad effects of Protection on certain Victorian industries, it is impossible not to assign enormous weight to the tariff policies of the two Colonies. It is true that New South Wales gave State aid to immigration after its discontinuance in Victoria, and assisted 58,500 people to come to the Colony between the years 1871 and 1890, while Victoria assisted only 5,500, but these few thousands are such an insignificant portion of the Free Trade Colony's gain in population that they are quite inadequate to account for it.

Again, it is true that the continuous sale of the public estate, which was much larger in New South Wales than in Victoria, gave the former Colony a special revenue fund not available to nearly the same extent in the latter, but free traders do not claim the larger public revenue of New South Wales as a result of its Free Trade policy, while the proceeds of land sales have been more than absorbed in providing railways and roads for sparsely settled districts.

For the rest, the relative advantages and disadvantages of Victoria and New South Wales, which so nearly balance each other as to make fiscal comparison between the two countries particularly valuable, are succinctly stated as follows, in a volume entitled "Social Conditions," which was written by Mr. Max Hirsch and published by the

Renwick Press, Melbourne, for the information of members of Parliament in 1901:—

“A comparison between Victoria and New South Wales must take into account the start in population, wealth and industrial development which the richness of her alluvial goldfields gave to Victoria in the middle of the last century, and which almost at a bound carried her far ahead of the older and larger State; the greater extent of her sea-board compared with and largely reducing cost of transportation; the more uniform fertility of her soil and her more general and copious rainfall, exposing her less frequently and less disastrously to droughts than is the case with New South Wales, and also her more bracing climate, resulting in the more energetic character of her population.

“In addition it must not be forgotten that Victoria enjoys the great advantage, owing to her geographical position, of doing the larger portion of the Riverina trade [Riverina is one of the most fertile districts of New South Wales, situated on the borders of Victoria] and that for many years and until recently the land laws of Victoria were far in advance of those of New South Wales, and enabled her soil to be utilised far more efficiently.

“Though the total area of New South Wales is far larger than that of Victoria, her really effective area is not. This consists of the Eastern Division, containing 94,000 square miles, as against the total of 87,900 square miles of Victoria. The population of the Eastern Division is 1,148,862 [that of Victoria is 1,201,000], leaving only 213,370 persons for the whole of her remaining territory. This vast territory, sparsely inhabited, must, however, be governed; roads, bridges, and railways have to be built; schools and other public buildings have to be erected, and the resulting expenditure must be a considerable drag on the Eastern Division, as well as a considerable addition to the expenditure of the Government.

"On the other hand, it must be admitted that the mineral wealth of New South Wales is greater than that of Victoria, and that the Central and Western Divisions add considerably to her pastoral production. While these facts weigh in her favour they can scarcely make good the disadvantages previously mentioned. As far as the production and employment of the people are concerned, it must also be remembered (1) that men working in mines and on squatting stations cannot at the same time work in factories; (2) that, other things being equal, men prefer to work in industries which pay the highest wages, and that where natural resources are rich, their utilisers can afford to pay higher wages than is possible in many manufacturing pursuits."

To this it may be added that Broken Hill, which has nearly 30,000 inhabitants and is the third city in New South Wales, belongs for business purposes to South Australia, doing its trade through South Australian ports and giving employment to a large number of South Australian factory workers, who smelt the silver lead ores from Broken Hill mines.

Entering now upon the question of comparative progress in New South Wales and Victoria, the first matter for consideration is growth of population. As the Victorian "Protectionists' Handbook" very truly but rather rashly declares, "The factor of first importance to national progress is population. . . . Foreigners are never attracted to settle where the means of living are few, and where poverty is great. The growth of population in a Colony must, therefore, be held as a very significant

gauge of its attractiveness." Again on September 10th, 1890, the *Age*, referring to recent increases in population, wrote: "There is no subject which gives the Protectionists greater cause for pride than this."

Protectionist pride should receive a rude shock from the study of the following figures, showing the increase or decrease of population by excess of immigration or emigration in the two Colonies from the inauguration of "effective" Victorian Protection in 1871 to the year 1900. In the former year the total population of Victoria was 732,000, that of New South Wales 553,000. In 1901 Victoria had 1,201,000 people, New South Wales 1,355,000:—

| | Victoria. | | New South Wales. | |
|-----------|-----------|------------------|------------------|------------------|
| 1871—1880 | ... | 13,000 decrease | ... | 109,000 increase |
| 1881—1890 | ... | 112,000 increase | ... | 164,000 " |
| 1891—1900 | ... | 109,000 decrease | ... | 16,000 " |
| Net | ... | 10,000 " | ... | 289,000 " |

In thirty years, while New South Wales attracted 289,000 people from other countries in excess of those who departed, Victoria lost 10,000 more than she gained. In only one of the decennial periods, that of 1881—1890, did Victoria gain in population by excess of arrivals over departures, thus causing the protectionists to glow with pride, but in this period the temporary prosperity of the "boom," built up on enormous borrowing, was at its zenith, and imports, which Protection is designed to reduce to a minimum, exceeded exports by nearly £48,000,000. In the same period New South

Wales added 164,000 to her population and had imports only £24,500,000 in excess of exports. In both cases goods imported in excess of imports represent borrowed money, for New South Wales and Victoria alike are debtor countries, obliged to export considerably more than they import in order to meet interest upon past loans.

The returns from South Australia throw additional light on the effects of Protection in attracting population. South Australia had practically no boom to create momentary attractions, and in the two ten-year periods 1881—1890 and 1891—1900 she lost population by excess of emigration—nearly 44,000. These were South Australia's years of high Protection. In the previous decade, when duties were moderate, she had immigrants in excess of emigrants to the number of nearly 35,000. While New South Wales greatly added to her population in the thirty years under consideration, and Victoria maintained hers only by excess of births over deaths, a comparison of the two peoples from an economic point of view also tells in favour of the Free Trade Colony. A prosperous country retains and attracts men, especially young men and men of middle age, who are the chief wealth producers, and in 1901, while 61 per cent. of the male population of New South Wales were between the ages of 15 and 65, the men of these ages, neither too young nor too old to work, constituted only 59 per cent. of the male population of Victoria. And yet in 1891 Victorian

140 PROTECTION IN AUSTRALASIA.

males between 15 and 65 were nearly 63 per cent. of the total.

Women also constitute a larger percentage of the population in Victoria than they do in New South Wales, and in this respect the disproportion is growing, as is shown by the following table:—

| | | | Victoria. | | New South Wales. |
|----------------|-----|--------------------------|-----------|-----|---------------------|
| Census of 1891 | ... | Males | 598,000 | ... | 613,000 |
| | | Females | 542,000 | ... | 519,000 |
| | | Total | 1,140,000 | ... | 1,132,000 |
| | | Percentage of Females | 47'6 | ... | 45'8 |
| Census of 1901 | ... | Males | 604,000 | ... | 710,000 |
| | | Females | 597,000 | ... | 645,000 |
| | | Total | 1,201,000 | ... | 1,355,000 |
| | | Percentage of Females | 49'7 | ... | 47'7 |

It seems that while brain and muscle are increasing in New South Wales, Victoria is becoming the favoured home of old men, of women, and of children, whose bread winners have gone to seek a living outside its protected borders. If the proportion of men in a country be a test of prosperity, then Victoria stands at the very bottom of the list among Australian States, for while New South Wales, Queensland, and Western Australia all have a very large excess of men, and even little Tasmania has nearly seven thousand more men in a population of 172,000, Victoria has only 7,000 more in a population of 1,201,000. The only other State

with a record approaching that of Victoria is the one which most closely followed Victorian example in tariff policy. The men of South Australia exceed the women by little over 6,000 in a population of 363,000.

It is further remarkable that between 1891 and 1901, while the population of Sydney increased by 105,000, growing from 383,000 to 488,000, that of Melbourne increased by less than the odd five thousand, its inhabitants numbering 491,000 in the former year and 494,000 in the latter. This fact, taken alone, might be claimed as a healthy sign by protectionists, since the centralisation of population is a bad tendency in young States, and specially noticeable in Australia, where in New South Wales, Victoria, and South Australia the capital cities contained in 1901, 35·90, 41·13, and 44·75 per cent. of the total people in the respective States. Here it is noticeable that Protection was accompanied by centralisation of population. In spite of the great growth of Sydney in the last ten years, the country population of New South Wales increased far more than that of Victoria, 126,000 being added to the former and only 58,000 to that of the latter.

It is not only through attracting more people from abroad that New South Wales has increased its population faster than Victoria, for the marriage rate and birth rate, which have been very low and falling in both States, showed a greater fall and were actually lower in the protected than in the

Free Trade one. This will be seen from the following tables :—

MARRIAGE RATE PER THOUSAND OF POPULATION.

| | | Victoria. | | New South Wales. |
|-----------|-----|-----------|-----|------------------|
| 1861—1865 | ... | 7·81 | ... | 9·04 |
| 1896—1900 | ... | 6·62 | ... | 7·0 |

BIRTH RATE PER THOUSAND OF POPULATION.

| | | Victoria. | | New South Wales. |
|-----------|-----|-----------|-----|------------------|
| 1861—1865 | ... | 43·30 | ... | 42·71 |
| 1896—1900 | ... | 26·92 | ... | 27·98 |

Of course there are other causes at work besides decreasing ease in providing for children to reduce the birth rate in Victoria, for it has fallen very much in the prosperous States of Western Australia and Queensland, as well as New South Wales. Nevertheless, it is suggestive to find that in the period 1896—1900 Victoria had absolutely the lowest birth rate in Australia, being run close by South Australia, its highly protected neighbour, with births numbering 26·59 per thousand. In New Zealand for the same period, which followed on years of acute depression, the rate was even lower, 25·74 per thousand, but it is there effected to some extent by the Maori population, among whom births are annually but little in excess of deaths.

Whatever may be the case with regard to births, marriages are always most numerous in times of prosperity—a fact strikingly exemplified in Victoria by a great rise in the rate in the boom years of 1886—1890, when the protectionist State was rioting on borrowed money. For those five years

alone, out of all the five-year periods since 1861, did Victoria show a marriage rate higher than that of New South Wales. In the years 1896—1900 Victoria and South Australia stand at the bottom of the list, the latter State being absolutely lowest with only 6·17 marriages per thousand. New Zealand is high up with 7·18 per thousand, and Western Australia highest of all with 10·13 per thousand. It only remains to add that in 1902 so low was the birth rate, and so high the rate of emigration, that the Victorian population declined and was actually less in 1903 than in 1902. Such are the results of applying the population test to thirty years of Protection.

CHAPTER VII.

MANUFACTURES UNDER PROTECTION
AND FREE TRADE.

BY their self-chosen test of increase in immigration Victorian protectionists fail to show a brilliant record for their policy, but the claim which is urged above all others for the adoption of Protection in a young country is that it gives variety of employment by bringing manufacturing industries into vigorous existence, whereas under a policy of Free Trade its people would be condemned to remain for ever mere hewers of wood and drawers of water for more advanced communities. Mr. Chamberlain stated in a speech of last year that no Colony had developed manufacturing under Free Trade. It is a statement which is disproved by the experience not only of New South Wales, but also of Victoria, where there were the small but prosperous beginnings of several manufactures as far back as 1862, before a single protective duty was imposed. Figures have been already given showing that in 1866 and in 1871 Victoria was far ahead of New South Wales in manufacturing, the industries of both countries having grown up under nearly the same fiscal policy. The following table

shows how the rival States stood after New South Wales had pursued Free Trade for some thirty years, while Victoria had paid unfaltering allegiance to Protection :—

| | Victoria. | | New South Wales. |
|-------------------------------------|-------------|-----|------------------|
| Males employed ... | 47,059 | ... | 54,461 |
| Females employed ... | 19,470 | ... | 11,674 |
| Total employed ... | 66,529 | ... | 66,135 |
| Value of output ... | £18,513,000 | ... | £24,394,000 |
| Horse power ... | 35,000 | ... | 41,000 |
| Value of plant ... | £4,847,000 | ... | £5,770,000 |
| Value of production per head ... | £6 5s. 3d. | ... | £7 8s. 11d. |

These figures are all taken from Coghlan's "Seven Colonies of Australasia" for 1901—1902, and the year 1901, to which they relate, is the latest for which all the figures are available. It is also the last for which the comparisons have complete value, for in 1902 the Federal tariff came into force, and from that date the manufactures of the two States were pursued under the same tariff conditions.

The table shows that in every material particular, manufacturing industry had advanced further in New South Wales than in Victoria. It is true that the latter still maintained a very slight lead in the number of workers employed, but of men there was a very considerable preponderance in New South Wales, Victoria's workers in excess being principally composed of low-waged women and girls employed in the clothing trade—the most

sweated trade in Australia. The proportion of women in Victorian industries, which was steadily increasing throughout the latter part of the protective period, amounted in 1901 to 29·4 per cent. of the total, and in New South Wales to only 17·7 per cent. The total wages paid were £4,943,000 in New South Wales, and in Victoria £4,589,000, giving £81 6s. 6d. and £71 9s. 5d. per head as the average annual wages. This is not surprising when we find that Victoria employed 13,392 workers, chiefly women, in clothing, dress-making, and millinery, against 8,580 women similarly employed in New South Wales, while New South Wales had 8,327 persons, practically all men, in smelting, iron works, and engineering, against 5,191 in the same industries in Victoria. While the large number of women brings down the average wages per head of Victorian factory operatives, higher wages were usually paid to men in New South Wales factories than to those employed in Victoria. Since the introduction of provisions into the Victorian factory laws enforcing—or, at least, purporting to enforce—the payment of a minimum wage in many industries, it has become very difficult to obtain a fair basis of comparison, for the Victorian Act tended to throw out of work a large number of men who could not earn the minimum wage, and placed others on short time, while the Act itself was frequently evaded. Extracts from such evidence as is available are given in a later chapter.

From the data given in the foregoing table no support whatever can be obtained for the theory that valuable manufacturing industry is promoted by Protection. All that Victoria has to show for its heavy tariff burdens is a few more women factory workers than New South Wales employs. Capital, horse power, wages, men, and product are all far greater in New South Wales, and it must be remembered that the difference in manufactured output is even larger than that shown by the difference in value, for protective duties added a heavy percentage to the price of nearly all manufactured goods in Victoria.

One of the virtues claimed for a protective tariff is that it equalises demand and steadies the market for manufactured goods. When bad seasons and hard times affected the primary industries of the country, it was urged by Victorian protectionists that there would be always the tariff-sheltered factories to provide employment and lead the way again to prosperity. Both New South Wales and Victorian factories have suffered ups and downs in the last few years, but the figures show that these have been more severe in the protected State than in the unprotected. In Victoria, for instance, there was a steady decline from 1889 to 1894 in the number of factory operatives, and, while there was a falling-off in New South Wales also, the figures below show how much better than their Victorian rivals the Free Trade factories stood the strain of bad years:—

WORKPEOPLE EMPLOYED IN FACTORIES.

| | Victoria. | | New South Wales. |
|----------|-----------|-----|------------------|
| 1889 ... | 57,432 | ... | 41,299 |
| 1890 ... | 56,369 | ... | 44,909 |
| 1891 ... | 54,413 | ... | 50,879 |
| 1892 ... | 45,415 | ... | 47,916 |
| 1893 ... | 41,729 | ... | 42,057 |
| 1894 ... | 43,319 | ... | 46,502 |
| 1895 ... | 47,646 | ... | 48,030 |
| 1896 ... | 50,397 | ... | 49,840 |

It is further remarkable that since January, 1896, when substantial reductions in the Victorian tariff came into force, there has been no set-back to the progress of manufacturing, and that nearly 3,000 operatives were added to the numbers employed in the very year in which the reductions took effect. On the other hand, between the year 1892 (when duties were heavily increased) and 1893, there was a fall of nearly 4,000 in the number of workers employed.

But to follow the course of employment in the woollen industry shows more clearly than anything else can do how Protection failed in Victoria when it might have been expected to succeed. In 1878 the duty on woollens was 11 per cent., and the workers employed were 736. In 1887 the duty was 22 per cent., and the number of workers had fallen to 704. In 1890—*par excellence*, the "boom year"—the duty had risen to 33 per cent., accompanied this time by an increase in the number of workers to 810. In 1892, however, when the duties were 44 per cent., only 736 workers were employed,

and with increased duties of 45 per cent. in 1895 the number fell to 690. In 1896 the duties were reduced on some woollen goods to 15, on others to 30 per cent., and in 1896 the number of people employed increased to 772. In 1901, still under the lower scale of duties, the woollen mills gave employment to 1,075 persons.

When the reduced tariff was under discussion in 1895, Mr. D. Williams, M.P., chairman of the Castlemaine Woollen Mills, solemnly predicted that any decrease of duty would close the mills or necessitate a heavy reduction of wages. His warnings were unheeded, and in August of 1896, after the lower tariff came into force, he told a meeting of his company that "additional machinery had been erected," and that "higher wages had been paid than in the corresponding half-year of 1895. The wages for the past six months of this year were £452 in excess of the amount paid for the same period in 1895." A dividend of $7\frac{1}{2}$ per cent. was declared. A second company, the Ballarat Worsted and Woollen Mills, held a meeting at about the same time, and its report said: "The company was doing very well. Their sales during the preceding half-year exceeded by £1,000 those of the preceding one, and were the largest on record. A number of new machines had been erected during the half-year, and the directors had written off £1,500 for wear and tear." Here a dividend of 8 per cent. was declared. During the year of reduced duties and predicted ruin, the

existing mills enjoyed unexampled prosperity and a new one was built, an event which had not happened for more than ten years.

There can scarcely be more conclusive proof of the failure of Protection in Victoria than the facts and figures here given. Raw material of the best was provided by the Colony in abundance, and at the cheapest rates. The product of the industry was in universal demand. Cotton, used by the mill-owners for mixing with the wool—to an extent that created a sensation when the facts were stated in Parliament—was admitted duty free. If there was ever an industry which might claim fostering help from the State on the ground of being a natural industry, and of promising soon to stand alone, it was the manufacture of woollens, and yet the more it was fostered the more it languished. In the tariff debate of 1892, when it was proposed to increase the duties to 44 per cent. on woollens, Mr. Frank Stuart, M.P., a protectionist, made some striking admissions as to the effect of Protection upon the woollen industry. Many companies in Victoria had lamentably failed, he said,

“Because their machinery was obsolete, because they had not capital to carry on, because they had not a market, and because they had not brains. . . . In 1881 the imports of woollens amounted to £373,000, and the duty paid was £52,000, while in 1891 the imports amounted to £440,000, and the amount of duty paid was £130,000. To show how the export trade in Victorian woollens had fallen off, he might mention that, whereas ten years ago we sent away

£7,000 worth of woollens, last year the export amounted to only £4,000 worth. Honourable members seemed to think that we had lost the inter-colonial trade because the other Colonies had recently started manufactures, but as a matter of fact New South Wales made woollens seventy-five years ago, and had been making them ever since. New South Wales to-day was making excellent woollens at a lower price than they could be made at in Victoria, and she could even export her woollens into this Colony, notwithstanding the heavy duty. How was this? Simply because, somehow or other, we had failed to take the right initial steps in starting this industry. It almost seemed as if certain industries would find a local habitation in particular countries, while in others they could not be made to thrive, however high the duties imposed in their favour."

On the same occasion Mr. Deakin, late Prime Minister of the Commonwealth, and throughout his political career a consistent protectionist, spoke as follows:—

"He must confess that the woollen mill industry presented more problems to him as a protectionist than any other in the Colony. This industry which ought to be a success—which was natural, if any industry was natural, and in which the Colony ought to be pre-eminent, in which they ought to find their mills not only readily commanding the local market, but also invading outside markets—was continually before him with the sickly complaint of need of support. The honourable member for Melbourne South said that he was assured by the deputation from the mill-owners that if this increase was granted they would not ask for any more. In his (Mr. Deakin's) short political life he had heard that statement many times ('No'). Every increase was to be the last, and the late head of the Government, when a great

struggle took place on the floor of that Chamber in 1889, said that an additional 5 per cent. would be the utmost the mills would think of demanding; if that were granted, he would never ask for a further increase ('No'). That was the fact, and it was not the only fact. Before the honourable gentleman who interjected was a member of this assembly, he heard a similar statement made, equally positive, and he had heard it made twice since the honourable member obtained a seat in the Chamber. The problem was: Why these mills were not the success which, according to this theory, they ought to be, and why they needed this continually increasing measure of Protection? That was a question he was utterly unable to answer. The wages paid in this industry were not commensurate with the intelligence they (the employés) displayed, or the hours they worked. . . . He would vote for this increase of duty with reluctance in order to give the mills a last chance of establishing themselves on a successful basis."

The mills, as we have seen, did not take this chance, and it was not until the duties were reduced far below the level from which they were raised in 1892 that they began to enjoy something like prosperity.

The manufacture of clothing, which largely uses woollens as its raw material, affords another striking instance of Protection running mad, with disastrous results to the protected industry which it is supposed to serve. In the year 1881 Victorian made apparel was exported to the value of £226,000. In 1893, the duties in the meantime having been increased to 44 per cent. on woollens and 55 per cent. on clothing, exports had fallen away to £55,000. In 1896 there was a reduction on both

woollens and apparel, and in 1897 the exports had risen to £139,000. The export trade suffered principally from the high duties on raw material, while the correspondingly high duties on the completed article, which were supposed to counteract their effect in the local market, resulted in such a rise of price that the demand fell off, and was only prevented from falling further by merciless sweating of the workers employed. By this means alone could the cost of manufacture be kept down. The close connection between sweating and protective duties was admitted in this instance by the protectionists themselves. On May 28th, 1890, the *Melbourne Age* found itself constrained to write: "It is abundantly certain that sweating—mean, frowsy, depraved, and pitiful—is carried on in Melbourne to a degree hardly less horrible than the incidents of its prevalence in London." Then followed columns of particulars which it would have been difficult to match in the East End, and at a mass meeting in the Melbourne Town Hall held shortly afterwards, Mr. Deakin, then Chief Secretary of Victoria, supported a motion to the effect that "in the opinion of this meeting the sweating system at present existing in our midst is a menace to the public health and morality of the Colony; the long hours of forced labour at starvation wages in unhealthy and unventilated hovels, where men, women, and children are huddled together indiscriminately, being a crying evil productive of hardship, disease, and vice." To a

deputation which waited on him Mr. Deakin replied that "the facts showed that in this city prices were paid for the manufacture of clothing, and perhaps some other articles, wholly insufficient to support a decent workman working decent hours, and this community protested against human beings being compelled by their necessities to accept remuneration that could not possibly allow them to live."

Mr. Deakin's protest had no effect. The duties were increased in 1892, the evil grew greater, and at another public meeting in 1895 Mr. Bishop, President of the Melbourne Trades Hall, which has been one of the strongest upholders of Protection in Victoria, opened his speech by saying :—

"Ardent protectionist as he was, he was sorry to admit that in this instance Protection had failed as far as the workers were concerned. Workmen united to support Protectionist candidates for Parliament, and were told when that system was established their wages would be secure, but the result had been that the employer was protected while the workman was starving. There were three trades that suffered more than all others by sweating, the boot trade, the furniture trade, the clothing trade (a voice—'All heavily protected'). He was bound to admit that Protection had failed in that respect. It was granted on the understanding that employers should maintain the standard rate of wages. Had they done so? No, they had not done so, and the workmen were ground down. They must insist on Protection to the workman as well as to the employer, otherwise they must call on the Legislature to withdraw that principle."

The trades mentioned by Mr. Bishop were all protected by duties ranging up to an equivalent of 80 per cent. *ad valorem*. In boot making and furniture making, which required little capital, and therefore were followed by a number of small employers, among whom combination was difficult, there was cut-throat competition which did in some cases bring prices down below the Free Trade level, but it was at the expense of the employers, who could not earn interest on their money, and the workmen, of whom large numbers were receiving starvation wages, or were vainly seeking employment and in receipt of no wages at all.

Two leading protectionists, Mr. H. H. Champion, prominent at one time in England in connection with the great dockers' strike, and Mr. Samuel Mauger, secretary to the Victorian Protectionist Association, and now a member of the Commonwealth Parliament, admitted this effect of Protection in ruining the boot trade. In November, 1894, Mr. Champion wrote as follows :—

“An increase in the duty on imported boots also seems to have had the effect of attracting to the trade a number of capitalists insufficiently equipped with money, credit and experience. At any rate the result in August was, that the half-dozen or so employers who were still paying the (reduced) standard rate of wages found it impossible to carry on any longer in the face of the competition of their rivals who were paying 20 and 30, and on some lines as much as 60 per cent. less for the labour employed. It must be remembered that in this trade there is practically

no foreign competition. The import duty on boots is so high as to exclude from the Victorian market boots of the kind made in Victoria."

So too, in November, 1896, at a public meeting, Mr. Mauger claimed sweating as one of the proofs that Protection had succeeded :—

"It was said that bootmakers' wages were only 15s. per week. If that was true it was due to unrestricted competition in that trade. It was the very success of Protection which produced the reduced wages in the boot trade, because every journeyman operative was able to start for himself, and so increase the cut-throat competition."

In the clothing trade, where women, not sheltered by unions, were easy victims of the sweater, the distress was perhaps most pitiful, and in this case the Board appointed by the Government to inquire into the evil, though composed without exception of protectionists, was forced to admit that Protection was a direct cause of sweating. The following is an extract from its report :—

"It is alleged that one of the principal causes of depression in the clothing trade is the large increase, imposed about a year ago, in the duties on all classes of woollen goods imported into the Colony. . . . The manager of one of the largest factories in the city, employing over five hundred hands, stated in answer to a question as to what suggestions he could make to improve the conditions of the outside workers, that he would increase the demand for clothing by placing it more within the reach of people of limited means. Too high duties were levied on certain materials, including woollens."

One of the expert witnesses stated :—

"I find the greater the amount of duty put on woollens, so the greater the reduction in the price of manufacturing. When there is an excessive duty on the cloth, the Colonial manufacturers raise their price, the retailer does not want to pay more, and therefore the price must come off the manufacturing, and that is why the people are suffering from reduced prices, *i.e.*, wages." Further evidence was received from the workers' point of view that "the high duties on certain goods were oppressive, and one of the predominant causes of sweating."

The following is the Board's recommendation :—

"We feel impressed by the weight of the evidence as to the loss that has ensued upon the great shrinkage in the inter-colonial trade. It is manifest that if the low priced cloths under consideration are imported at other Australian ports at lower duties, Victorian competition in inter-colonial markets must be seriously hampered. We submit these considerations in view of the representations made by experts on behalf of employers which are supported and endorsed by employees generally. The latter contend that a much greater amount of employment than that now offering would result from the removal of restrictions which they allege press heavily on the clothing industry, and that an alteration in the direction indicated would by extending the field of labour prove a powerful and effective antidote to the sweating evil."

There could not well be a more damning indictment of Protection than this, wrung from a protectionist Board by the evidence of protected employers and workmen.

A single extract from dozens available in the newspapers of the time will give some idea of the

conditions which prevailed in the clothing trade, and overcame the Board's natural reluctance to cast doubt upon the blessings of Protection. Thus the *Argus* wrote in February, 1893 :—

“The women concerned have learned the mantle-making trade. For cheap blouses they receive $2\frac{1}{2}d.$ apiece, of which the best worker with fastest appliances can make seven in a day. The best workers can thus earn $1s. 5\frac{1}{2}d.$ a day, but the great majority earn less. For dressing gowns they are paid $5d.$ apiece. An average workwoman can make two of these a day, and thus earns $10d.$ a day or $5s.$ a week, provided she works as long on Saturdays as during the rest of the week. Eton jackets are paid for with $6d.$ and sac cloaks with $11d.$, both equally ruinous rates. One woman, describing her experience, says : ‘The average number of women in our room is thirty-six, but it often increases to over sixty. The rates have been so cut down that few of us make more than $5s.$ a week. We work from nine to six, with half-an-hour for lunch. A friend of mine began to cry last week when she got only $4s.$ for her week’s work. She asked the head woman how she was to live on that sum. The reply was brutal, but it meant a great deal : “You little fool, why don’t you get a man to keep you like other girls?” Another girl said that a fortnight previous the sixty-three girls employed in the room where she worked compared their week’s earnings, and found them to range from $8s.$, the highest, down to $2s. 1d.$, the lowest. Fortunately this state of affairs lasts only half the year ; during the rest what are called fair wages are earned by the mantle-makers. Two girls, who had recently arrived from Glasgow, stated that wages ranged there from $15s.$ to $30s.$, and the poorest hands never earned less than $10s.$ a week, which was worth nearly as much as $20s.$ here. There, moreover, the busy season lasted nine months, instead of six months as here. “We made a great

mistake in leaving Scotland," was their concluding remark, "and we are both hoping for the day when we may have a chance to get back again." " "

Stringent factory legislation, accompanied by a reduction in duties, has brought about a marked improvement in the conditions of the trade.

CHAPTER VIII.

PROTECTION AND INDUSTRIAL
WELFARE.

IF space permitted, it might be shown that numerous Victorian industries have gained little or nothing from the Protection accorded to them, and that on the whole they have been as much the victims as the beneficiaries of the system. Detailed attention has been given to woollen manufacturing and the clothing trade, because in no other instance is the failure of Protection so unreservedly admitted by protectionists themselves. They are also typical industries, since in the one case raw material was untaxed, and in the other the high duties intended to indemnify the makers of the finished product for the loss suffered from duties on their material were useless to them. They certainly limited foreign competition, but they raised prices to a height destructive of demand.

The general position is well indicated in the following extract from the report of a Victorian Tariff Commission which sat in 1895, and was composed entirely of protectionists :—

“We have had numerous complaints from various manufacturers that the material used by them is taxed, and that they cannot in consequence compete,

in some instances even in the home market, with imported goods. The main object of almost every manufacturer who appeared before us was to secure the existing duty on his produce, but almost every one asked for the remission of duty on some material used in his factory."

Several of the protected manufacturers, notably the coach builders, went further than this, and expressed their willingness to face foreign competition if only their raw material were made free. Thus Mr. J. E. Bishop, at one time a keen protectionist, wrote in his paper, the *Coachbuilder*, the organ of the trade, published in New South Wales:—

"The Victorian duties again claimed attention. We found that in 1889 Victorian coach makers paid over £6,800 in customs duties on £15,000 worth of axles imported, and that by a liberal estimate the total number of men and boys employed by axle-makers did not exceed thirty. Here was an anomaly. We ventured to suggest that if coach builders subscribed amongst themselves to pension the axle-makers off at £100 a man—or boy—to keep them from meddling with their business, they would save at least £3,800 per annum by the transaction. We still believed in Protection, though we could not swallow such an anomaly as the axle tax. We gave attention to other duties. We found other anomalies, and kept on finding them until we reached the inevitable conclusion—namely, that the system of Protection is an aggregation of anomalies. It is a bundle of sticks—inconsistencies which, taken one by one, can easily be broken, but which, together, are almost a match for a Samson. That is how we became free traders without giving up Protection. It was trust

in anomalies that we surrendered, unconscious of the fact that with the last of them every vestige of Protection disappears."

Mr. Grimley, a large importer and manufacturer of coach builders' materials in New South Wales, wrote a letter to the *Coachbuilder* on September 15th, 1900, giving further proof of the injury done by Protection to the trade. The figures as to cost of materials were furnished by two Melbourne manufacturers, Mr. R. Wearne and Mr. Percival White, and on these data Mr. Grimley wrote:—

"The cost of material for a 'single lorry' is in Melbourne £17 2s. 11d.; in Sydney £12 8s. 4d. For a 'carrier's express waggon' in Melbourne £31 18s. 11d.; in Sydney £26 10s. 10d. Be it remembered the duties which cause this increase of price are imposed 'to foster industry.' They foster it by compelling the coach builders to pay from 17 to 20 per cent. more for all the material which enters into his product."

Leaving now the subject of manufacturing, upon which Protection thus justifies its claim to exercise a specially beneficent influence, we find from a statistical comparison between Victoria and New South Wales, that in almost every economic particular the Free Trade State in 1901 had the advantage of the protectionist.

In all this table (see p. 163) there is only one item, that of banking deposits, in which the advantage lies with Victoria. The difference per head is not great, and while it is true that Victorians in earlier days invested much capital in other States, it is also

natural that a country constantly attracting immigrants who have their way to make, and a country in which capital readily finds investment in business enterprises, should show less per head deposited in banks than is the case with a country from

| | Victoria. | | | New South Wales. | | |
|--|----------------|----|----|------------------|----|----|
| | £ | s. | d. | £ | s. | d. |
| Imports for home consumption | 13,222,000 | 0 | 0 | 19,493,000 | 0 | 0 |
| Per head | 11 | 0 | 5 | 14 | 2 | 6 |
| Domestic exports | 13,882,000 | 0 | 0 | 19,837,000 | 0 | 0 |
| Per head | 11 | 10 | 9 | 14 | 9 | 2 |
| Production of wealth per head | 24 | 0 | 11 | 28 | 7 | 9 |
| Income per head | 42 | 14 | 0 | 47 | 6 | 0 |
| Savings Banks deposits per head | 8 | 7 | 11 | 8 | 11 | 2 |
| Deposits in all banks per head | 33 | 19 | 0 | 33 | 9 | 7 |
| Post and Telegraph receipts | 508,000 | 0 | 0 | 870,000 | 0 | 0 |
| State and local indebtedness | 65,594,000 | 0 | 0 | 71,393,000 | 0 | 0 |
| Per head | 54 | 3 | 7 | 53 | 17 | 2 |
| Tonnage of ships entered and cleared, in the external trade | Tons 2,651,000 | | | Tons 4,520,000 | | |
| | Melbourne. | | | Sydney. | | |
| | £ | s. | d. | £ | s. | d. |
| Shipping Trade | 30,648,000 | 0 | 0 | 41,393,000 | 0 | 0 |

which the young men are drifting away to Western Australia, South Africa and elsewhere, leaving behind the older generation who have saved something, and dependents to whom the emigrants remit much of what they earn abroad. Western Australia, with an income per inhabitant of £64 1s.—the highest in Australia—has smaller bank deposits

per head than those of Victoria. Another fact difficult to reconcile with so many facts pointing to greater and more generally distributed wealth in New South Wales than in Victoria, is that in the five years 1896—1900, 225,900 deceased persons left estates exceeding £100 in Victoria, and only 188,700 in New South Wales, though the amount annually left is greater in the latter country. It is probably because Victoria is becoming to a special extent a community of old people who have amassed their money in more prosperous times, while some difference in the law, making probates less indispensable in New South Wales than in Victoria, may help to account for their smaller number.

In the value per head of exports, which are regarded as a touchstone of prosperity by so many protectionists, Victoria stands absolutely at the bottom of the list of Australasian Colonies. Next above it comes its tariff imitator, South Australia, with exports of £12 1s. 6d. per head. On the other hand, Western Australia, also under a high tariff, had domestic exports valued at £43 16s. 4d. per inhabitant—the result of rich goldfields and a small population.

The production per head of wealth in Victoria rose from £26 2s. 8d. at the beginning of the protectionist period to £26 9s. 3d. in 1891, and fell again to £24 0s. 11d. in 1901. In New South Wales the production was £30 5s. 3d. in 1871, rose to £32 3s. 5d. in 1891, and fell to £28 7s. 9d. in

1901, showing a greater fall than in Victoria, but nevertheless remaining greater by £4 per head. This heavy reduction is accounted for by the drought, which destroyed twenty million sheep, or nearly a third of the total flocks, between 1891 and 1901. Victoria also suffered from drought, but to nothing like the same extent, her loss being only two million sheep, or less than one-sixth of the total.

The excess of postal and telegraph receipts in New South Wales would have been much greater but for the fact that newspapers are there carried free by post.

Both Sydney and Melbourne have a very large shipping trade, and are among the most important ports in the Empire, but Sydney's trade is worth £10,000,000 more than that of Melbourne, and is only exceeded in the United Kingdom by the ports of London, Liverpool, and Hull. In one respect, that of annual ratable value, Sydney is, and has been for many years, the second city in the Empire, having ratable property worth £5,070,000 annually. London (County) has an annual value of £39,768,000; Glasgow, which comes next to Sydney, £5,027,000; and next in order are Manchester and Salford with £4,362,000, and Melbourne with £4,042,000. The annual value per inhabitant of ratable property is £10 10s. 5d. in Sydney, and £8 15s. 2d. in Melbourne.

A most unusual plea of Victorian protectionists is that New South Wales has been developed by

reckless borrowing, while Victoria has been less extravagant. They compare the New South Wales State debt of 71·6 millions with the 53·5 millions owed by Victoria, ignoring the fact that, in New South Wales, harbour works, sewerage works, and municipal improvements are carried out by the State, while similar works are done in Victoria with money borrowed by municipal and other public bodies. The figures show that when these borrowings are added together, as they ought to be, each Victorian citizen has a much heavier load of public debt to carry than his neighbour across the Murray. In calculating the interest burden of the public debt in both States, it must be further remembered that the great proportion of it has been spent on remunerative public works, Victoria and New South Wales having expended up to 1902 £40,500,000 each on State-owned railways alone.

With regard to the consumption per head of food and staple articles of use in Victoria and New South Wales, Coghlan gives the following figures :—

CONSUMPTION PER HEAD OF VARIOUS ARTICLES
IN 1901.

| | Victoria, Pounds. | | New South Wales. Pounds. |
|--------------|----------------------|-----|-----------------------------|
| Wheat ... | ... 312·8 | ... | 357·3 |
| Rice ... | ... 6·9 | ... | 9·7 |
| Oatmeal ... | ... 6·9 | ... | 7·0 |
| Potatoes ... | ... 250·2 | ... | 197·7 |
| Sugar ... | ... 93·8 | ... | 107·8 |
| Tea ... | ... 6·9 | ... | 7·9 |

CONSUMPTION PER HEAD OF VARIOUS ARTICLES
IN 1901 (*continued*).

| | | Victoria. Pounds. | | New South Wales. Pounds. |
|-----------------|-----|----------------------|-----|-----------------------------|
| Cheese... | ... | 3'2 | ... | 3'7 |
| Butter ... | ... | 12'6 | ... | 19'6 |
| Salt ... | ... | 17'2 | ... | 42'8 |
| Beef ... | ... | 122'1 | ... | 166'5 |
| Mutton ... | ... | 75'7 | ... | 118'8 |
| Pork and Bacon | ... | 11'5 | ... | 11'9 |
| Tinned Fish ... | ... | 3'05 | ... | 4'68 |
| Maizena ... | ... | 1'58 | ... | 2'39 |
| Onions... | ... | 19'17 | ... | 13'43 |
| Soap ... | ... | 12'25 | ... | 13'77 |
| Starch ... | ... | 3'10 | ... | 3'27 |
| Tobacco ... | ... | 2'13 | ... | 2'67 |
| | | Gallons. | | Gallons. |
| Spirits ... | ... | 0'76 | ... | 0'77 |
| Beer ... | ... | 2'13 | ... | 10'43 |

Of beer, potatoes and onions only is there a larger consumption per head in Victoria. But beer was subject to a lower excise duty in the Southern Colony ; potatoes are largely used there for feeding pigs ; and onions are very little grown in New South Wales.

The greater consumption per inhabitant of all the other articles is partly accounted for by the greater number of adult males in New South Wales. Higher average incomes also permitted a greater expenditure on food, while, owing to lower prices in New South Wales, the same expenditure went further. Wheat, except in times of drought, is produced largely in excess of home requirements, and the price is not therefore affected by protective duties, but depends entirely on London quotations,

the price in Melbourne or Sydney being just that of Mark Lane, less the cost of carriage to England. Therefore it is worth notice that Mr. Chamberlain's proposed duty on foreign wheat, raising the price of all wheat in London, would make bread dearer to the people of Australia as well as to those of the old country, and that until Australian exportation greatly increased, the tax levied by the preference on the Australian consumer would much exceed the extra sum obtained by Australian wheat growers from English buyers. In the year 1902, for instance, Australia exported to England 4,362,000 cwt. of wheat, upon which a duty of 2s. per quarter would give Australian sellers higher prices amounting to £102,000. In the same year a preferential tariff of 2s. per quarter would have added £730,000 to the price of wheat consumed by Australians at home.

Meat in Victoria has been raised to great prices by the stock tax on sheep and cattle coming into the Southern Colony from the pastures of New South Wales and Queensland. While it perhaps tended to enrich the large pastoralists who breed sheep, one of its unforeseen effects was to injure Victorian farmers on the borders of New South Wales, who had been accustomed to buy cheap store sheep and fatten them for sale upon the stubbles and grass after their crops were reaped. The stock tax took away this opportunity of adding to their incomes, and as they do not breed sheep they gained nothing in exchange. Another effect

of the stock tax, entirely logical, yet so grotesque and tyrannous as to shock even convinced protectionists, arose through the admission of sheep in bond to be slaughtered in Melbourne and exported as frozen mutton to England. The sheep's heads were not exported, and during a time of severe distress in Melbourne poor women and children visiting the slaughter yards obtained there a nutritious article of food which was a blessing in many households. But on these heads no duty had been paid, and therefore a paternal protectionist Government had to devise means to prevent them from going into consumption and afflicting the people with the curse of cheap food. Accordingly they sent to the abattoirs customs officers and barrels of kerosine oil. The heads were piled in great heaps, soaked with oil, and burned before the eyes of hungry women and children. Sometimes they looked so sad and pitiful that a good-natured officer remained charitably blind while a few heads were stolen before the cremation took place.

Dutiable articles, other than wheat and meat, were generally dearer in Victoria than in New South Wales. Difference of price is so often concealed in difference of quality, however, that comparisons are frequently misleading, and, taking advantage of this, protectionists have compared the prices charged by two large firms of corresponding standing in New South Wales and Victoria, selecting for comparison articles in which there was vagueness as to brand and quality. In

the following price lists of these two firms the only articles quoted are those of which the brand and quality are identically the same:—

RETAIL PRICES IN MAY, 1901.

| | Charged by Messrs. Moran and Cato, Melbourne. | | Charged by Messrs. Lassetter & Co., Sydney. | |
|--|---|----------|---|----------|
| | Price. | Duty. | Price. | Duty. |
| Arrowroot, Queensland, lb. ... | 6d. | 2d. | 4d. | Free. |
| Candles, imported, lb. ... | 7½d. | 1d. | 6½d. | Free. |
| Cocoa (Fry's Malted), tin ... | 11½d. | 3d. lb. | 10½d. | Free. |
| Nestlé's Milk, tin ... | 7½d. | 2d. lb. | 5d. | Free. |
| Corn Flour, lb. ... | 6d. | 2d. | 3d. | Free. |
| Kipperred Herrings, 1 lb. tin... | 9½d. | 2d. lb. | 7d. | Free. |
| Golden Syrup, 2 lb. tin ... | 6d. | 5/- cwt. | 5½d. | 2/- cwt. |
| Colman's Mustard, ½ lb. tin... | 9d. | 2d. lb. | 8½d. | Free. |
| Sugar, Best White, per bag (70 lb.) ... | 14/9 | 6/- cwt. | 12/6 | 4/- cwt. |
| Treacle, 2 lb. tin ... | 5½d. | 2/- cwt. | 5d. | Free. |

From these lists it will be seen that in some cases the price is raised by more than the amount of the duty, and in other cases by very slightly less, these differences being no doubt accounted for by one or the other firm making of some article a "special line" at cut rates. But a general survey of the list shows that the consumer pays the duty.

Wholesale prices exhibit a similar difference in favour of New South Wales. The following are taken from the Melbourne *Journal of Commerce* of March 12th, 1901, and from the Sydney *Trade Review* of March 16th, 1901, the two papers not being published on the same day, though giving quotations for the same date. Again, the goods

referred to are in each instance of the same brand and quality :—

| | Victoria. | | New South Wales. | |
|--|-----------|------------|------------------|-------|
| | Price. | Duty. | Price. | Duty. |
| Arrowroot, Queensland, lb. ... | 5½d. | 2d. lb. | 3d. | Free. |
| Keen's Blue, lb. ... | 8½d. | 2d. lb. | 6½d. | Free. |
| Candles (Schiedam's), lb. ... | 6½d. | 1d. lb. | 5½d. | Free. |
| Cement (Anchor Brand), per cask ... | 15/- | 3/4 cask. | 11/3 | Free. |
| Cocoa (Taylor's), lb. ... | 1/2 | 3d. lb. | 11d. | Free. |
| Condensed Milk (Scandinavian), doz. ... | 6/9 | 2/- doz. | 4/8½ | Free. |
| Dates, lb. ... | 5½d. | 3d. lb. | 2d. | Free. |
| Matches (Marriotte's Vestas), gross ... | 3/2 | 1/- gross. | 2/2 | Free. |
| Pickles (Crosse and Blackwell's), doz. ... | 13/3 | 3/- doz. | 10/- | Free. |
| Rice (Japan), ton ... | 425/- | 134/5 ton. | 270/- | Free. |
| Salt (Black Horse, fine), ton... | 90/- | 20/- ton. | 60/- | Free. |
| Colman's Starch, lb. ... | 4¾d. | 2d. lb. | 2½d. | Free. |
| White Lead (Champion's), ton | 740/- | 60/- ton. | 680/- | Free. |

In the above list there is no item in which the Victorian price does not exceed that of New South Wales by at least the amount of the duty, while frequently the excess is considerably greater, which is, after all, quite natural, as, assuming that the merchants in each country are making equal profits, those trading in the protected country must not only recover from the consumer the amount expended in duty, but must make their average profit on money outlaid at the Customs House, as well as on the purchase-money for the goods. So certain is this fact that if once grasped it might lead to the contention that where the excess price is less than the duty, or even where it equals it, the

protected people have escaped the full incidence of the duty. But there are two considerations which negative this conclusion. The first is that Protection, leading to monopoly and necessitating a larger outlay on the same amount of material, enables the importing merchant to do with a smaller profit. He sells candles costing five thousand pounds, for instance, raised to a cost of, say, eight thousand pounds by duties. He might easily ask for 15 per cent. on a smaller outlay, and content himself with 13 or 14 on the larger, especially as a striking effect of Protection has been to throw the business of importing from abroad into the hands of a few rich firms; since their smaller competitors, who could obtain credit from manufacturers elsewhere, can obtain no credit at the Customs House, and are crushed out of existence by the large cash outlay in duty necessitated there.

A second reason why duties are not always charged in full to the consumer is that where combination is difficult competition is sometimes so fierce as to bring about ruin, as protectionists themselves bore witness in the case of the Victorian boot, clothing and furniture trades. The consumer may escape something of what should logically be imposed upon him, but it is his fellow countryman and not the foreigner who pays the difference.

As to the monopoly above referred to, which is occasioned in the importing trade by customs duties, the *Age* supplies the following valuable testimony in an article of November 21st, 1900:—

"The Parkes system of Free Trade in New South Wales did not mean that articles were admitted absolutely free. It meant an extensive tariff of low duties which brought in a large revenue without in the least checking importation. These duties were increased under Sir George Dibbs' so-called Protectionist Administration. When Mr. Reid came into power with his single tax following he astonished everybody by his radical departure from the Parkes Free Trade idea. He left only about a dozen articles dutiable. Under Sir Henry Parkes' Free Trade a man required a considerable capital to carry on the business of an importer. It thus became an exclusive and highly profitable business, under the operation of importers' associations, of which we have mentioned two Victorian examples. But under Mr. Reid's Free Trade a man could be an importer practically without capital. He imported merely as an agent. Dozens of people set up business in this way, and made a terrible cut into the trade of the old-established houses, whose associations for keeping up prices were now almost powerless."

The effect of Protection in producing monopoly among importers is here clearly admitted. The clearest possible admission of its like effect among manufacturers is to be found in a clause of the Federal Customs Regulation Bill, providing that if it be found that a trust or monopoly is controlling the sale of any article, the Government shall have executive power to remit the duties upon it.

While goods have been dearer under Protection than under Free Trade, wages wherewith to purchase them have been generally lower. The following table of daily wages for Sydney and Melbourne during the period 1892—1896, when both Colonies

were suffering from depression, and before Victoria had reduced her most oppressive duties, is given in Coghlan's "Seven Colonies" :—

| | Melbourne. | | | Sydney. | |
|------------------|------------|------|-----|---------|----|
| | s. | d. | | s. | d. |
| Carpenters ... | ... | 7 5 | ... | 8 | 11 |
| Bricklayers ... | ... | 7 6 | ... | 9 | 8 |
| Masons ... | ... | 8 6 | ... | 8 | 11 |
| Plasterers ... | ... | 7 8 | ... | 8 | 6 |
| Painters ... | ... | 6 8 | ... | 8 | 0 |
| Blacksmiths ... | ... | 10 0 | ... | 8 | 6 |
| Boilermakers ... | ... | 10 6 | ... | 9 | 0 |
| Navvies ... | ... | 6 0 | ... | 6 | 0 |

At later dates the minimum wage provisions of the Victorian Factories Act make fair comparison difficult, but as a general rule it seems that the Act endeavoured to enforce by law the payment of a wage in Victoria which was paid without compulsion in New South Wales. Here are a few extracts from evidence given before the Victorian Royal Commission on the Factories and Shops Act which support this view :—

BOOT FACTORIES.—James Bennett, president of the Boot Operatives' Union of Melbourne, said : "Wages in Sydney range from £2 to £2 15s. In Melbourne the minimum wage, as determined by the Wage Board, is £2 2s., all except 30 or 40 cloth cutters at 37s.

TAILORING TRADE.—Peter Strong, representing the Journeymen Tailors' Association of New South Wales, said : "Many Victorian workers in Sydney, because there is more work for men. Such work

done in Melbourne by women at much lower wages. Tailors are better off, on the whole, in New South Wales than in Victoria."

BUTCHERS. — T. H. Furse, secretary of the Slaughtermen's and Journeymen Butchers' Association, said: "Earnings much lower in Victoria than in New South Wales. Pay of slaughtermen £2 10s. a week in Victoria. In New South Wales the minimum rate is £3. None receive less than £3, and some £3 10s., and more often than not work less than 48 hours per week."

FURNITURE (Cabinet Makers).—E. W. Cutler, secretary of the Cabinet Makers' Union, said: "Wages average £2 12s. for barely 48 hours per week. Average is as high as in Melbourne under Wage Board Determination." Mr. Dobson, secretary of the Melbourne Furniture Operatives' Union, told the Trades Hall in August, 1901: "Wages of furniture makers and polishers in Sydney have never come down to the level of those ruling in Victoria. Men receive 45s. in Sydney for work for which men are paid 35s. in Victoria."

FELLMONGERS.—Robert Hunter, president of the Operative Fellmongers' Union, said: "Fellmongers in England, dealing almost exclusively with Australian skins, paid higher rates of wages than those fixed by the Victorian Wage Board. Higher wages were also paid in New South Wales."

BAKERS. — The *Age* of August 13th, 1901, announced an agreement concluded between employers and operatives in Sydney, fixing a minimum

wage of £2 10s. for 48 hours' work. This is identical with the Wage Board's determination in Melbourne. Previous to this £2 10s. was paid in Sydney for 50 hours' work.

TANNERS.—The *Argus* of August 24th, 1901, reported Mr. Dupree, secretary of the Tanners' and Carriers' Union, as telling the Trades Hall Council that "Men in their trade were getting £2 10s. per week in New South Wales, but the highest wage in Melbourne under Wage Board determination was 48s. per week."

MILKMEN.—Wm. A. Bayst, secretary of the Milkmen's Union (operatives), told the Royal Commission that wages in Melbourne for married men were 25s. to 30s. per week; in Sydney 40s. to 45s. per week. This trade was not subject to the Wage Board.

So much for the question of wages under Free Trade and under Protection. As to employment the *Age*, which has stoutly maintained at all times that wages were higher, prices lower, and comfort and prosperity greater in Victoria than in New South Wales, published on June 28th, 1901, a characteristic article with the following scare lines:—"Distress in Sydney—nearly 10,000 unemployed—appalling tale of destitution."

The only facts revealed by the article were that from September 1st, 1900, to May 31st, 1901, *i.e.*, nine months, 9,328 persons had registered at the Sydney Labour Bureau as wanting employment and that of these 2,381 had registered during the

last three months. On the same day enquiry made at the Melbourne Labour Bureau, on behalf of the writer of this volume, showed that during the same nine months no fewer than 14,402 persons had registered there as unemployed, and that of these 4,940 had registered during the last three months. There were 50 per cent. more unemployed in Melbourne than in Sydney, and the numbers, while increasing in the former city, were falling in the latter.

It is by such tactics as the above that the *Age* succeeded for so long in deceiving the Victorian people.

A final and conclusive proof of the greater difficulty in obtaining remunerative employment in Victoria than in the other Colonies is supplied by the fact that strikes have been defeated all over Australia by the importation of Victorian labour; while labourers have never been obtained from the other Colonies to defeat a Victorian strike. The protected Victorians themselves admitted this. Mr. Findley, of the Melbourne Trades Hall, now a Victorian Labour Member of the Australian Senate, reported on March 18th, 1899, on the lumpers' strike at Fremantle, Western Australia, as follows:—

“A more serious aspect of the question, however, was that they would apparently have to fight the Unionists of this Colony [Victoria], which had been described as the Sink of the Southern Hemisphere. In past labour struggles Victoria had always defeated the Australasian bodies because of the disloyal and

back-sliding Unionists who took the place of strikers elsewhere. This was being repeated in the present strike at Fremantle."

Mr. Fabri, a member of the Council, pleaded in extenuation that the men were forced to accept any employment that offered.

Earlier, on January 13th, 1892, Mr. Frank Cotton, M.P., speaking in the New South Wales Assembly, thus expressed a similar view :—

"Is it not true that the current of labour has been setting in steadily for years past from the Southern Colony to this Colony? In the whole employment of skilled labour we have been suffering steadily from Victorian competition. I could quote case after case where the price per foot of sinking, the price per mile of fencing, the price per yard of tank sinking, the price for work in the Cobar Copper Mines, the price for smelting, the price for wood carting, the price for every class of labour has been steadily lowered by Victorian competition."

CHAPTER IX.

PROTECTION AND THE PRIMARY INDUSTRIES.

IN attempting to estimate the effect of fiscal policy upon agriculture, pastoral pursuits and mining, figures are of little value, since land and mining legislation, good and bad seasons, and a host of other causes must have a preponderating effect. As to the general influence of Protection on these pursuits it will be well to quote here the opinions of two very high authorities, namely, Mr. Deakin, late protectionist Prime Minister of the Commonwealth, and Mr. I. A. Isaacs, one of the ablest protectionists in the Commonwealth Parliament. Mr. Deakin said in the Victorian tariff debate of 1892 :—

“ Protection was carried in the first instance by the magnificent self-sacrifice of the miners of this country, who furnished a majority to the artisans—a majority which, without the assistance of the miners, the artisans could never have obtained. The miners, looking to the interests of their children and of the country, but looking beyond themselves—supported Protection. It was owing to their aid that Protection became the law of the land. The farmers were at first in doubt, if not antagonistic, but they became converts, because, seeing the artisans gaining the benefit of the home markets for their products, they

demand that the home market should be secured to them as well. By means of certain items in this tariff they will obtain almost the last of their demands. Protection will have done for them all it is possible for it to do for them. That in my opinion is not very much. With the land now under cultivation, fortunately a rich soil, and with the enterprising population we have, it is perfectly certain that these agricultural products which are to be protected, and others which are not to be protected, will be produced, and indeed many of them are already produced, in such quantities that the farmers will have to depend on the export market for the disposal of their surplus produce, and upon export prices all round. The miners, who have never had anything to obtain for themselves from Protection, have, of course, nothing to expect, while the farmers, having obtained all that is possible, will soon be in the same position. The Colony will produce more than sufficient to supply our local requirements and the balance will have to be exported. And what will be the outlook for Protection, if by our present action we alienate the miners, and raise the farmers' revolt which has been so often threatened? Will not the people say that there is no promise of Protection to the miners, that the Protection to the farmers has long been fulfilled, but that Protection to the artisans seems to have no limit?

"If we are to follow some of the arguments that have been used on the other side, we shall have to haul down the national standard of Protection, and hoist in its place the yellow flag of prohibition. We shall put this Colony into commercial quarantine. What will then be the effect on the farmers and miners of the community? The protected industries employ perhaps 30,000 out of the 56,000 employes of the industries included in Mr. Hayter's return. These increased tariff proposals will not benefit 20,000 even out of that 30,000, and consequently we shall have the bulk of those who are working in the

industries included in that return standing outside the benefit of these proposed increases. There is besides that a considerable body of our population which is always beyond the reach of assistance from protective duties."

On the same occasion Mr. Isaacs summed up the case for the miner as follows:—

"And the miner, how is he on a level with the worker in the town? He has a weight around his neck. We are told that the miners patriotically stood by Protection in the past. Are we to whip the willing horse to death? Is Protection to go on for ever, to an unlimited extent, right on as we are told to prohibition? Are we never to stop taxing the miner? He is the man who goes through the most arduous labour, the most dangerous pursuits, to win the wealth of the country, and what does he get in return for it? A promise that more burdens shall be laid upon him. His pick is weighted with taxation, every article he wears is weighted with taxation, and when he goes home every article in his house, even his knife and fork, is taxed."

When to these remarks is added the admission of the *Age* of February, 1901, to the effect that "The farmers we have complain that their living is precarious; the miners earn an uncertain wage of 25s. to 30s. per week, and half ruin their health in the process"; surely no more protectionist testimony is needed as to the failure of Protection to help the great producing industries.

On the Free Trade side it may be pointed out that the duties for the benefit of farmers, to which Mr. Deakin referred, were really in almost all cases illusory. Butter and wheat, except in a very few

years of drought, were exported and their price therefore was unaffected by the tariff. It is probable that the prices of oats, hops, maize, and a few other minor products were slightly raised by duties which shut out similar products coming from other Australian States, but, now that they are united in the Commonwealth, Protection, as far as the farmer is concerned, means higher prices for what he buys with no addition to the price of what he sells. In Victoria he suffered, not only from taxes levied on articles of his own use and consumption, but indirectly through taxes on locomotives and railway material, which added greatly to the cost of railway building, and therefore to the freights which he had to pay. The Victorian duties on sugar and on tins and bottles for packing had a particularly blighting effect on the fruit growing industry. The Colony which grows oranges in abundance imported most of its marmalade from Dundee. A heavy duty on currants and raisins did certainly benefit the handful of growers of suitable grapes, who formed a trust to fix prices, and sold their goods to the inhabitants of other States cheaper than to protected Victorians. The duty is now a federal one and the price of these articles is raised throughout Australia. "Dumping" was, in fact, a remarkable feature in the business of most of the more successful protected industries of Victoria. The makers of starch, of condensed milk, of nails, of bottles, of candles, of straw board, of blacking, of reaper and binder twine and many other articles

habitually sold their goods at much lower prices in Sydney and the rest of Australia than in Melbourne. A particularly glaring case was that of reaper and binder twine. The best Manilla was sold in the season of 1893—1894 at 8*d.* per lb. to Victorian farmers and to the farmers of Tasmania at 6*d.* per lb.

Another striking instance of what the Victorian farmer suffered through Protection is found in the case of two brothers living on opposite sides of the Murray, who went together to the Braybrook Implement Company of Melbourne to obtain quotations for strippers and winnowers, implements which each of them required. The price asked was £77 10*s.* in Melbourne, but when one of the brothers mentioned that he lived in New South Wales, where such things could be imported more cheaply, the manufacturer agreed to take from him £69 15*s.*, and for that price to deliver the machine.

In the face of facts like these figures as to agricultural production are worth little. They show, in effect, that for many years Victoria was far ahead of New South Wales, and that after Mr. Reid abolished the Dibbs duties and re-established Free Trade in that Colony, agriculture made immense strides, so that at the present time, when New South Wales and Victoria are alike subject to a protective tariff, agriculture is still increasing in the Northern State, which now produces more wheat than its neighbour. The development of agriculture will go on in all the Australian States, checked or promoted, no doubt, by tariff laws, but not to an

extent or in a manner which can be deduced from statistics.

As to mining, the protectionist admissions are so unreserved, and *à priori* it is so evident that a protectionist tariff must affect it adversely, that there is no need to labour the subject.

Some graziers in Victoria may have derived benefit through the medium of the stock tax in higher prices for sheep and cattle bred by them, but on the other hand they were handicapped by taxation on animals bought from the neighbouring States to be fattened on the richer pastures of Victoria. It was claimed also that dairy farmers obtained paying prices for calves, which previously were not worth rearing. However this be, it is certain that the people generally suffered greatly from an increase in the price of meat which re-acted upon its vendors in a striking falling off in the demand. In any case, with Australian federation, the stock tax vanished, and has no place in the Commonwealth's present system of Protection.

It is not open to doubt that the primary industries of Victoria suffered immensely from the tariff as a whole, and no evidence is to be found that it increased employment in the manufacturing industries which it was specially designed to develop. Doubtless, where protected manufacturers were wise enough to combine instead of to compete, they enriched themselves by charging prices which would have been unattainable under Free Trade, but they did not, on that account, pay higher wages

to their workmen, and the consumers suffered spoliation from industries which, judging by the experience of New South Wales, would have flourished upon the legitimate profits to be reaped in a Free Trade market. A few exotic and sickly industries, perhaps, owed their existence to Protection, but their number was very small, and no one would have regretted their disappearance. Extraordinary as it may appear, the majority of Victorians suffered Protection so long only because political prejudice and the marvellous power of the *Age* newspaper induced them to really believe that Protection increased wages, reduced prices, promoted employment, and altogether made Victoria the richest and most progressive of the Australian States.

CHAPTER X.

PROTECTION IN THE COMMONWEALTH.

WITH the passing of the Commonwealth tariff in 1902 Protection in Australia entered upon a new phase, and it is yet too early to judge of its effects upon the country's development. There are no data available for reliable deductions. If New South Wales has advanced after surrendering Free Trade, it must be remembered that the markets of Victoria, South Australia, and Queensland, which formerly were surrounded with tariff barriers, are now thrown open to her. If Victorian manufacturers have made great strides under a much reduced tariff, free traders may claim that it is owing to the lower duties, though protectionists will reply that it is because the New South Wales market, to which Victoria had always free access, is now not only free to her but partially barred to foreign competitors by the Australian tariff wall.

A further great factor of more weight than any tariff in determining the conditions of Australia as a whole is the rainfall. After a drought of years, which reached its climax in Queensland, New South Wales, and Victoria, since the inauguration of the Commonwealth, there have come bounteous rains all over the continent, which promise, for a

time at least, unexampled prosperity. Thus nature and the complexity of the tariff changes alike make it impossible at present to estimate the effect of Protection upon the Commonwealth. It is an important fact worth notice, however, that the stock tax and grain duties, which were held to save the farmers and graziers of Victoria from ruin, have been abolished without the slightest injurious effect.

Economically speaking, there can be no doubt that the effect of Free Trade throughout a continent will greatly modify, as it does in America, the evil effects of Protection against the outside world. But socially and politically, there is reason to fear that it may aggravate them, as it also appears to do in America. In Victoria, with its million of people, even the highest duties could develop no great trusts and combines. Australia has only four millions, but the exploitation of even this modest number offers temptations to capital for the formation of trusts in humble but hopeful imitation of the powerful monopolies which are such a curse to America. Herein lies one of the great dangers of the Australian tariff, comparatively moderate as it is at present, and, as a matter of fact, as soon as federation was accomplished, existent Victorian rings began to make ready for the absorption or crushing of competitors in other States and the extension of their operations. Even the protectionist framers of the tariff saw this danger, and tacitly admitted the relationship of Protection and

monopoly by proposing, as already mentioned, that power be given to the Government to suspend the duties on any article which might appear to be controlled by a trust.

At the present time it is not even possible to say whether a majority of the Australian people who have adopted a protective tariff really believe that Protection will advance the interests of their country, for at the first federal elections, though the question was fought, it was complicated by other issues to an extent which prevented any fair verdict being obtained. Sir Edmund Barton, the first Commonwealth Premier, had an immense popularity outside his own State of New South Wales, owing to the fervent manner in which he had voiced the sentiment of Australian unity. Sir Edmund Barton was a protectionist, but he spoke of compromise, of the folly of either Victoria or New South Wales attempting to force its tariff system upon the rest of Australia. The cry of compromise was popular. Many free traders adopted it, and supported Barton, forgetting that any true compromise between Free Trade and Protection was impossible, and thus the protectionists gained the day and gave Australia its present moderate protective tariff. The moderation is by no means owing to willing concessions on their part, but to the great strength which, in spite of all disadvantages, the free traders were able to exert in both the Federal Houses.

At the second election of December, 1903, parties

were again so divided that, though the protective tariff stands, evidence will still be wanting that Australia desires Protection. In the House of Representatives the late protectionist Government was out-numbered by the Free Trade Opposition, but some of these are pledged to "fiscal peace" during the life of the present Parliament and will not support Mr. Reid in any move to reduce the tariff. Nearly equal in numbers to both Government and Opposition together is the Labour party, which contains free traders and protectionists in nearly equal numbers, but which will vote as a party with the Government or the Opposition, according to the policy of either on matters unconnected with the tariff.

In the Senate the Protectionist Government is hopelessly out-numbered, both by the Free Trade Opposition and the Labour party, the last-named being the most powerful.

Thus it is evident that Australian Protection rests upon a very unsubstantial basis. With every year of its existence vested interests will gain in strength, and a change to Free Trade will become more difficult. Within the next few months, however, anything may happen. The Government may win over the Labour party and increase the duties; or the Opposition may obtain its alliance and reduce them. A third alternative, perhaps even more probable, is a coalition between the more Conservative elements of both Government and Opposition to resist the Radicalism of the Labour

party, in which case the latter would draw to itself the more Radical members of both the others. In such an event, if the Radicals gained the upper hand, though they might not aim at absolute Free Trade, they would certainly incline towards direct taxation upon land values in substitution for a considerable amount of indirect taxation at the Customs House. They dislike revenue duties of many kinds as much as those that are protective, and have already been strong enough to compel the placing of tea and kerosine oil upon the free list.*

Towards Mr. Chamberlain's proposed reciprocity Australia as a whole is either indifferent or hostile. The free traders are unwilling to take any measures which would involve and assist a protectionist revival in England, and weaken the cause for which they are fighting at home. The protectionists are unwilling to reduce duties upon goods from Great Britain, whom they regard as their most formidable competitor. The wheat growers would gain the advantage in higher prices for wheat, while the manufacturers and working men would have to pay those higher prices at home, with the additional

* Since this volume went to press Mr. Deakin's Protectionist Government has been defeated by the Labour party, assisted by Radical members of the other two parties. The latest telegrams from Australia state that negotiations are in progress for the alliance between Mr. Deakin and Mr. Reid which is suggested as probable in the text. This means the abandonment of the tariff issue by the new party, and as Mr. Watson, the Labour Premier, does not wish to raise it, there will probably be a truce for some time between protectionists and free traders in Australia.

disadvantage, from a protectionist point of view, of lower duties upon the goods which they are most anxious to exclude. Most of them would gladly give England a preference by increasing duties upon foreign goods, since this would mean increased Protection to themselves.

The advantages to England of such preferential treatment would be very small indeed, and it is doubtful whether even this would be offered by Australia, since it has the opposition of the Free Trade party, and is also opposed by a section of the protectionists, who are strong anti-Imperialists, and who point out that the effect of granting favours to Great Britain would be to invite retaliation upon Australian wool, of which very large quantities are sold on the European Continent.

With all these hostile influences at work, it is extremely unlikely that any scheme of reciprocity, such as is contemplated by Mr. Chamberlain, would be accepted by Australia, even if he persuaded a majority of the people of Great Britain to submit to the taxation of food. The most probable move in the direction of preference would be a slight reduction of duties in favour of British goods, without demand for anything in return, should Mr. Reid succeed in ousting the Government. The free traders might possibly find themselves strong enough to take this step in the direction of Free Trade with the help of some Imperialist protectionists, who would refuse assent to any reduction of duties all round.

Finally, it may be said that Australia, since federation, is less protectionist than it used to be, and the free traders within the Commonwealth are, if not quite, very nearly as numerous as their opponents. A high tariff is not at present generally desired. The feeling is rather in favour of making it somewhat lower, but unless it soon finds expression in Parliament, it will probably be defeated by the highly organised special interests which are clamouring for higher duties. The present is a critical period in Australian tariff history. Protection is not yet securely fastened upon the country, but with every year of its existence its strength will increase, and unless a blow be promptly struck, in Australia as in America, the shackles upon industry will become heavier and more numerous until it becomes a giant's task to remove them. And unfortunately the giants that thrive in protectionist air are monopolies, whose work lies in forging stronger chains, never in removing them.

INDEX.

"AGE," 126, 127, 128, 129, 130,
131, 138, 153, 172, 175, 177,
181, 185

Agricultural Implements, 6, 30,
40, 41, 66, 181, 185

Agricultural Products, 19, 59,
72, 103, 108, 112, 180

Agriculture, 36, 37, 42, 47, 112,
115, 120, 179, 183

"Argus," 126, 130, 131, 138,
176, 177

BALFOUR, Mr., 22

Barton, Sir Edmund, 188

Bounties, 48, 49, 50, 100, 101

British Columbia, vi., 34

CARTWRIGHT, Sir Richard, 41,
43, 48, 52, 61

Chamberlain, Mr., 52, 53, 71,
72, 75, 76, 120, 144, 168, 190,
191

Coffee, 24, 25, 30, 120

Cotton, 11, 20, 54, 66, 101, 150

DEAKIN, Mr., 95, 151, 153, 154,
179, 181, 190

Dibbs, Sir George, 93, 94, 173,
183

Dingley Tariff, 47

"Dumping," 24, 43, 50, 55, 182

EXPORTS, 3, 5, 24, 29, 32, 33,
40, 44, 47, 50, 66, 100, 101,
120, 121, 133, 134, 139, 150,
151, 152, 153, 163, 164, 168,
180

P.C.

FACTORIES ACT, 124, 146, 159,
174

Farmers, 3, 4, 24, 29, 67, 75,
104, 107, 111, 124, 168, 179,
180, 181, 182, 183, 184, 187

Forrest, Sir John, 103, 105,
106, 109

GERMANY, 51, 56, 57, 58, 59,
121

Grey, Lord, 82, 83, 84, 85

HIRSCH, Mr. Max, 125, 136

IMPORTS, 3, 11, 12, 19, 23, 29,
33, 40, 43, 49, 54, 59, 60, 82,
98, 99, 101, 102, 112, 116, 133,
134, 139, 155, 156, 161, 163,
172

Iron, 19, 20, 23, 25, 48, 49, 50,
65, 66

Isaacs, Mr. J. A., 179, 181

KINGSTON, Mr., 95

LABOUR PARTY, 94, 95, 96, 97,
109, 119, 126, 127, 128, 177,
187

Laurier, Sir Wilfrid, xii., 35,
46, 47, 51, 61, 62, 63, 65, 77,
78

MACDONALD, Sir John, 28, 35,
47, 77

Manufacture, 1, 2, 9, 12, 14,
15, 18, 20, 23, 24, 26, 27, 28,
36, 39, 40, 44, 55, 56, 63, 65,

- 66, 67, 72, 74, 76, 78, 97, 98,
- 99, 101, 102, 103, 107, 108,
- 110, 111, 115, 117, 119, 123,
- 133, 137, 144, 145, 146, 147,
- 148, 152, 153, 157, 160, 162,
- 184
- Melbourne, 83, 126, 130, 134,
- 151, 153, 154, 162, 165, 167,
- 168, 169, 170, 173, 174, 175,
- 176, 177, 183
- Mill, J. S., 81, 82
- Miners, 86, 87, 104, 105, 107,
- 109, 112, 118, 119, 179, 181
- Mining, 90, 93, 94, 100, 103,
- 104, 106, 115, 137, 173, 183,
- 184
- "NATIONAL POLICY," 14, 24,
- 26, 28, 32, 33, 34, 35, 37, 41,
- 43, 46
- New Brunswick, 19
- Newfoundland, vi., 19
- New South Wales, x., 25, 83,
- 90, 91, 92, 93, 98, 100, 103,
- 104, 105, 108, 110, 113, 116,
- 122, 128, 132, 133, 134, 135,
- 136, 137, 138, 139, 140-147,
- 151, 161, 162, 164-170, 173,
- 174, 175, 176, 178, 183, 185,
- 186, 188
- New Zealand, vi., 39, 113, 114,
- 116-121, 142, 143
- Nova Scotia, 18, 19, 37
- PARKES, Sir Henry, 91, 92, 93,
- 173
- Pitt, 2
- Population, 31, 32, 33, 34, 35,
- 36, 37, 42, 83, 86, 103, 104,
- 133, 136, 138, 139, 140, 141,
- 142, 143, 164
- Preference, 2, 3, 4, 5, 6, 7, 8,
- 35, 45, 48, 51, 52, 53, 55, 56,
- 57, 59, 65, 66, 71, 72, 73, 74,
- 76, 78, 120, 168, 191
- Prince Edward Island, vi., 19,
- 34
- QUEENSLAND, 97, 100, 101, 102,
- 103, 139, 142, 167, 186
- RAILWAYS, 7, 12, 13, 20, 22, 92,
- 111, 118, 120, 136, 182
- Reid, Mr. George, 93, 94, 96,
- 125, 173, 183, 189, 190, 191
- Retaliation, 20, 30, 58, 73
- Revenue, 11, 15, 30, 32, 34, 35,
- 36, 47, 53, 55, 56, 62, 64, 79,
- 93, 96, 97, 100, 106, 119, 135
- SEDDON, Mr. R., 121
- South Australia, 92, 95, 97, 98,
- 99, 100, 104, 107, 113, 137,
- 139, 140, 141, 142, 143, 164,
- 186
- Spirits, 19, 23, 51
- Stock Tax, 168, 169, 184, 187
- Sugar, 11, 13, 19, 20, 48, 100,
- 101, 102, 120, 128, 133, 160,
- 166, 170, 182
- Sydney, 134, 162, 165, 167, 168,
- 170, 173, 174, 176, 183
- TASMANIA, vi., 83, 97, 183
- Tea, 11, 19, 24, 25, 30, 120, 166,
- 190
- Tobacco, 11, 19, 23, 48, 51, 133,
- 167
- UNITED STATES, xii., 12, 21,
- 24, 29, 35, 41, 42, 43, 44, 46,
- 47, 50, 54, 56, 63, 67, 73, 74,
- 77
- VICTORIA, x., 39, 83, 85, 86, 87,
- 89, 90, 91, 92, 93, 94, 95, 98,
- 99, 103, 104, 105, 107, 108,
- 110, 112, 113, 114, 116, 117,
- 118, 122, 123, 125, 127, 128,
- 130-148, 150, 151, 153-157,
- 160-169, 174-179, 182, 184-188

WAGE BOARD, 174, 175, 176
 Wages, viii., 38, 50, 75, 93, 115,
 134, 137, 145, 146, 149, 152-
 158, 173-176, 181, 184, 185
 Western Australia, vi., 83, 95,
 97, 103-110, 112, 139, 142,
 163, 164, 177

Wheat, 3, 4, 5, 6, 11, 12, 29, 35,
 38, 48, 59, 61, 72, 73, 74, 75,
 76, 112, 113, 118, 121, 166,
 167, 168, 169, 181, 183, 190
 Woollens, 20, 39, 54, 55, 116,
 117, 148, 149, 150, 151, 152,
 156, 157, 160

THE END.



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